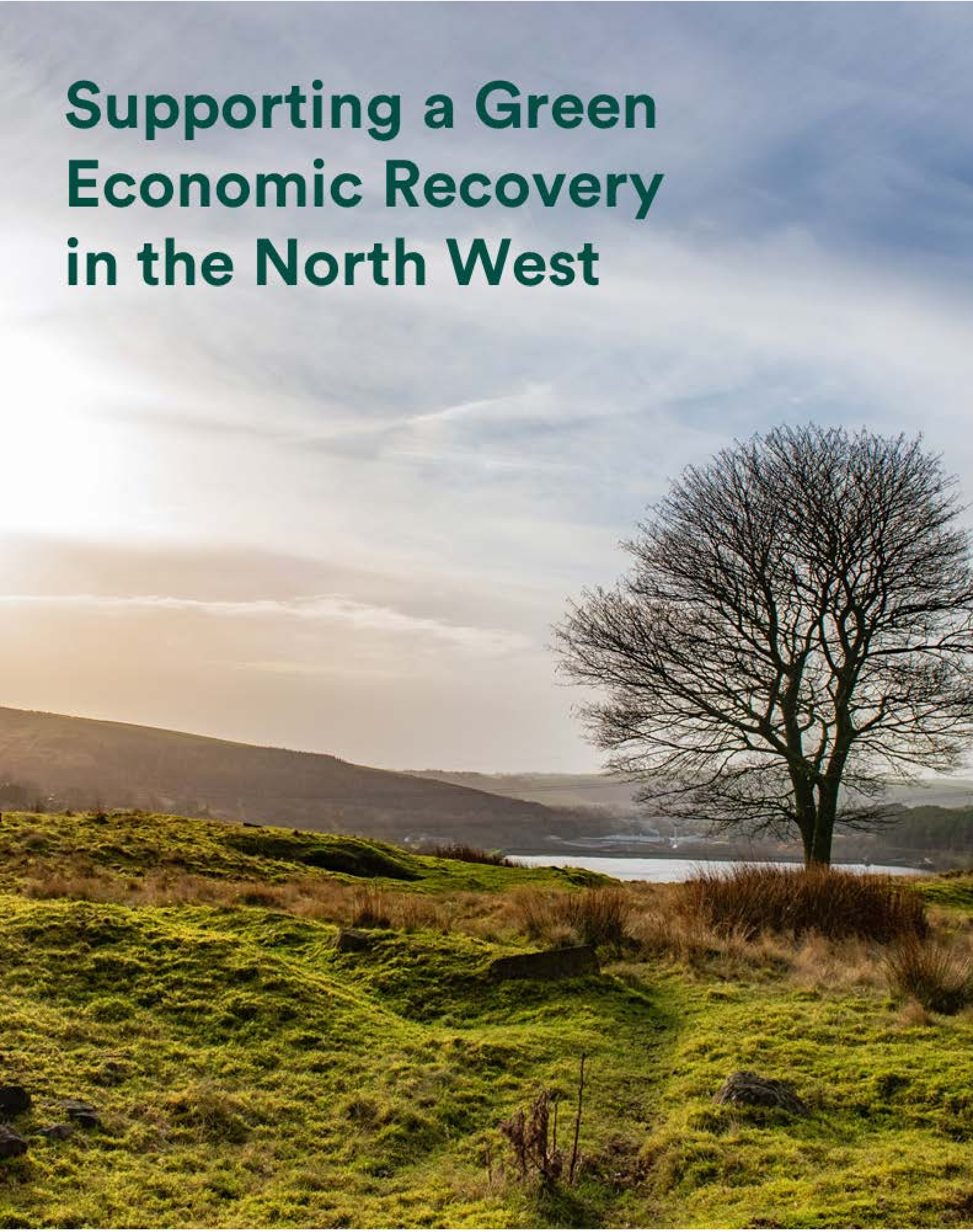
Supporting a Green Economic Recovery in the North West



United Utilities

Water for the North West

Supporting a Green Economic Recovery in the North West

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2. Glossary of terms

Term	Reference	Explanation
AMP	Asset Management Plan (or Period)	An AMP is a water company's detailed description of its investment plans for its assets. AMP is often used as a shorthand name for the companies' business plans. See also Business Plan.
AMP7	Asset Management Plan 7	Refers to the planning period between 2020 and 2025.
AMP8	Asset Management Plan 8	Refers to the planning period between 2025 and 2030.
FD19	Final Determination 2019	Ofwat's final determination from the 2019 Price Review process.
CSO	Combined Sewer Overflow	During heavy rainfall the capacity of sewer pipes can be exceeded, which means possible inundation of sewage works and the potential to back up and flood peoples' homes, roads and open spaces, unless it is allowed to spill elsewhere. Combined sewer overflows (CSOs) were developed as overflow valves to reduce the risk of sewage backing up during heavy rainfall.
IED	Industrial Emissions Directive	A European Union Directive which commits European Union member states to control and reduce the impact of industrial emissions on the environment.
PR19	Ofwat's Price Review for AMP7 2021-2025	The process of setting appointed water companies' price limits.
PR24	Ofwat's Price Review for AMP7 2026-2030	
WINEP	WINEP	Water Industry National Environment Programme
WwTW	Wastewater Treatment Works	A wastewater treatment works is a facility in which a combination of processes (e.g. physical, chemical and biological) are used to treat wastewater and remove pollutants.

3. Introduction

3.1.1. United Utilities Water is pleased to make proposals to support Defra's "Green Recovery" initiative in the North West. Green Recovery provides the prospect of an improved environmental and economic contribution from the water sector as the region recovers from the impact of the COVID-19 pandemic.

3.1.2. As set out in this document, the proposals reflect action we are taking on our own initiative to accelerate the profile of delivery in AMP7 as well as delivering two schemes which are within scope of the AMP7 final determination but which are above the baseline. These actions amount to an estimated £569m of investment (2017/18 prices) which is being provided earlier than, or additional to, the assumed AMP7 baseline. These actions do not require additional regulatory scrutiny and are already underway.

3.1.3. In addition, we are also proposing a further £135m of investment (2017/18 prices), additional to the AMP7 determination, for which we are seeking regulatory approval. These proposals are the principal subject of this submission and we provide them for regulatory scrutiny.

3.1.4. As set out in this document, we consider that they are a strong set of proposals which provide significant opportunities to bring forward improvements for customers and the environment as well as deliver increased economic activity at a time when the region would most benefit from this, following the impact of the COVID-19 pandemic.

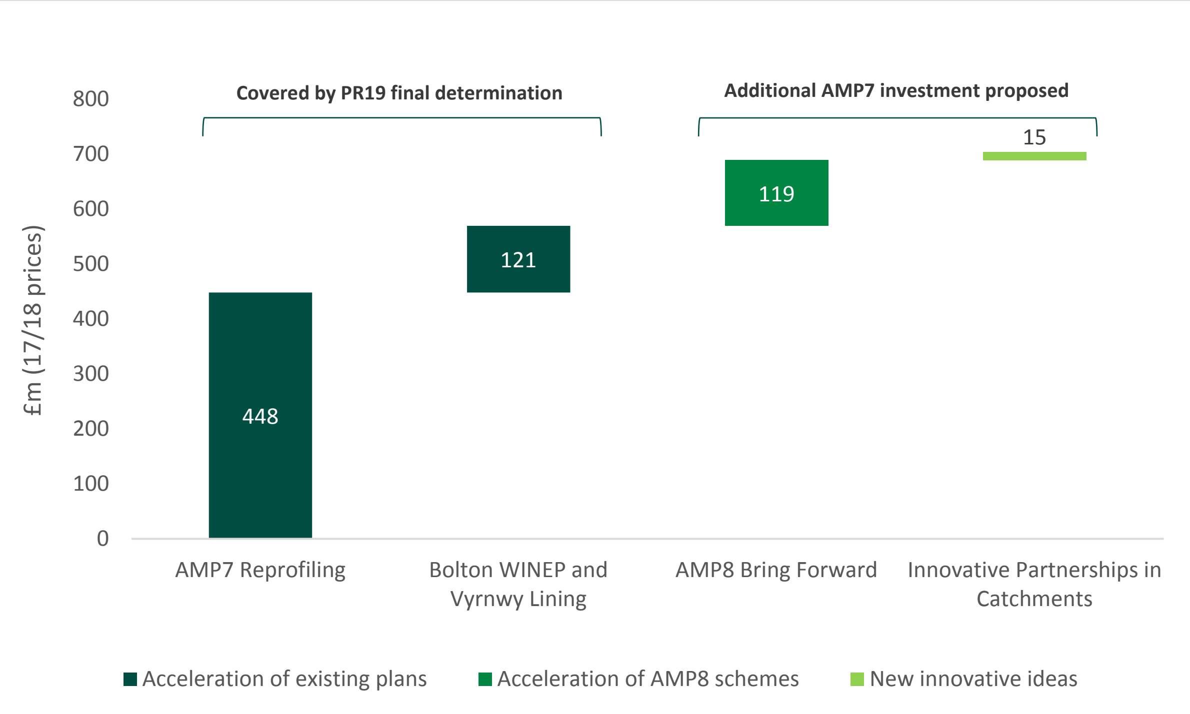
3.1.5. For all proposals, we are seeking optionality to proceed and will only implement proposals if they continue to represent good value for money and efficient spend at the time when a final decision to commence spending occurs. This will follow regulatory scrutiny of the proposals which is anticipated to complete in September 2021. We have also set out in detail how we believe the structure of the proposals provides additional safeguards for customers compared to a standard price review submission. This includes our proposal to delay recovery through customer bills until AMP8.

3.1.6. We look forward to engaging with regulators over the coming months as the assessment process progresses. Once the regulatory process is concluded, there will be clarity on whether or not our proposed packages of work have been given regulatory approval to proceed. At this point, the company will further review the evidence, including any conclusions reached by regulators, in order to determine whether proceeding with the proposals would remain in the best interests of stakeholders.

4. Overview of proposals

4.1.1. Our approach reflects three broad categories as defined by Defra and the regulators in their Green Recovery guidance: Acceleration of existing AMP7 plans, Acceleration of AMP8 schemes and Specific New Innovative Ideas.

Figure 1 - Green recovery proposals



4.2. Acceleration of existing AMP7 plans

4.2.1. We are re-profiling our base AMP7 expenditure to bring forward economic activity, service improvements and environmental outputs. We are bringing forward £218m of spend into 2020/21, £134m of spend into 2021/22 and £96m in 2022/23, accelerating expenditure already reflected in our AMP7 price determination so that it delivers earlier.

Table 1 - Acceleration of existing AMP7 plans (17/18 prices)

	2020/21	2021/22	2022/23
AMP7 Totex Reprofiling (17/18 prices)	£218m	£134m	£96m
Bolton WINEP and Vyrnwy Lining	£1m	£9m	£32m

4.2.2. Examples of the work we are accelerating include:

(a) AMP7 WINEP Programme – specifically, we are bringing forward investment in schemes with later (typically 2024) regulatory output dates so that they can complete earlier in the AMP;

(b) Impounding Reservoir programme – we have accelerated the delivery of the schemes in this programme to deliver earlier improvements;

(c) Investment in the wastewater network – we are advancing investment to deliver a number of hydraulic flooding projects earlier in the AMP period. We are also accelerating investment more broadly in the network to improve performance; and

(d) Investment in the water network – we accelerated both enhancement and maintenance expenditure in the water network to improve leakage performance. This includes investment in leakage loggers and additional repair and maintenance activity.

4.2.3. In addition to these initiatives, we now expect to deliver an additional £121m of investment (17/18 prices) which was facilitated in our AMP7 price determination over and above baseline expenditure.

(a) We are delivering significant water quality improvements in the River Irwell in Greater Manchester by investing in one of our largest wastewater treatment works at Bolton (as included in our PR19 WINEP cost adjustment mechanism); and

(b) We are improving the quality of drinking water for customers in Merseyside by investing in the Vyrnwy Aqueduct and reducing the risk of discolouration (as included in the Performance Commitment and ODI related to this requirement).

4.2.4. We expect £42m of this investment to complete by the end of the 2022/23 financial year and the remainder to be delivered during the rest of AMP7.

4.2.5. In total, we therefore expect to accelerate and bring forward approximately £570m of expenditure (in 2017/18 prices) within the 2020/21 – 2024/25 period, in support of economic activity and service and environmental improvements in the region. This is being delivered by the company without any need to seek additional regulatory approvals.

4.2.6. The impact of these initiatives is significant for the North West. It provides customers and the environment with the prospect of earlier delivery of service and environmental improvements, and the acceleration of expenditure brings forward the economic impact of our AMP7 investment programme into years where the longer term economic impacts of the COVID-19 pandemic are most likely to be felt.

4.2.7. A study commissioned by United Utilities from Hatch Consulting estimates that the average number of FTEs in the North West supported by United Utilities is approximately 22,700 per year during AMP7. This takes account of direct, indirect and induced employment effects. By bringing forward expenditure to the earlier years of the AMP, we will support an additional 1500-2000 jobs in the earlier years, which are likely to see the worst economic effects of the pandemic.

Table 2 - Total FTEs supported by UUW before and after reprofiling

Total FTEs supported in North West by United Utilities, by year

	2020/21	2021/22	2022/23	2023/24	2024/25	AMP7 avg.
Under base expenditure profile	**22,100**	**22,300**	**21,800**	**24,500**	**23,000**	**22,700**
Base % profile of employment supported p.a.	*19%*	*20%*	*19%*	*22%*	*20%*	***100%***
Under revised expenditure profile	**24,000**	**23,800**	**23,800**	**21,700**	**20,500**	**22,700**
Revised % profile of employment supported p.a.	*21%*	*21%*	*21%*	*19%*	*18%*	***100%***
Difference, by year (abs)	**1,900**	**1,500**	**2,000**	**-2,800**	**-2,500**	**0**
Difference, by year (%)	**9%**	**7%**	**9%**	**-11%**	**-11%**	**0%**

4.2.8. We consider that none of the above acceleration of existing AMP7 plans requires additional regulatory approvals beyond what it is already provided for within FD19 and we are therefore proceeding with these activities immediately.

4.3. Proposed acceleration of AMP8 schemes into AMP7

4.3.1. We are proposing to invest a total of a further £135m in AMP7 which would require further regulatory approval and which is the focus of the rest of this submission. Of this £135m, £119m is enhancement expenditure, which we are proposing to bring forward from future AMP8 plans into AMP7. A summary of these proposals is provided below:

Table 3 - Acceleration of existing AMP8 schemes (17/18 price) (£m)

Proposal	2020/21	2021/22	2022/23	2023/24	2024/25	Total
AMP8 WINEP investments at Bury	0.00	2.90	3.33	16.00	21.84	44.06
IED enhancements	0.00	0.00	21.87	22.65	22.65	67.16
CSO investigations, EDMs and SOAF acceleration	0.00	0.00	2.48	2.73	2.67	7.88
Total	**0.00**	**2.90**	**27.67**	**41.37**	**47.16**	**119.10**

4.3.2. These proposals will:

(a) Deliver environmental improvements in the Manchester Ship Canal and reduce spills to the River Irwell through investment at our Bury Wastewater Treatment Works. This is expected to bring forward delivery of an AMP8 WINEP scheme, advancing the creation of around 150 jobs as part of the capital works. Details of this proposal are provided in document GR0003 – Environmental improvements across the Manchester Ship Canal.

(b) Achieve compliance with new Industrial Emissions Directive (IED) permits at our bio resources sites during AMP7 rather than as part of an AMP8 enhancement programme. As part of this we also propose to explore the optionality around consolidating activity at a number of smaller sites into a new facility in Ellesmere Port, yielding cost and carbon benefits. Details of this proposal are provided in document GR0005 – Emissions regulations and the journey to zero carbon.

(c) Deliver improved monitoring, investigations and modelling of combined sewer overflows in the region. Through this programme we will deliver 100% coverage of event duration modelling, complete 300 investigations between 2023 and 2025 and detailed modelling in 4 sensitive catchment areas. We will also be able to prepare efficient and effective plans for tackling key Combined Sewer Overflows (CSOs) during AMP8 and AMP9. Details of this proposal are provided in document GR0004 – Tackling storm overflows.

4.4. Innovative partnership approaches to deliver better catchment outcomes in AMP7

4.4.1. In addition, and comprising the remainder of our £135m programme being put forward for regulatory scrutiny, we are proposing £15m of investment in innovative schemes which invest in partnerships to deliver better outcomes on a catchment scale. This work will protect habitats, combat invasive non-native species, enhance water quality, better manage drainage and reduce phosphorus pollution. It will involve UUW working with over 30 unique external organisations in order to deliver through partnerships. We are targeting achieving over £10m of external funding to contribute towards the schemes from partners and agencies who share a strong interest in delivering resilience in the catchments from nature based solutions. We aim to use the schemes to influence the application of an additional £30m of third party funding. Details of these proposals are set out in document GR0002 – Accelerating partnerships to deliver natural solutions.

4.4.2. Taken together, our proposed AMP8 accelerations and innovative partnership work in catchments total £135m.

5. Economic impact and sources of third party funding and support

5.1.1. We estimate that over 300 roles would likely be generated if our proposed additional activities go ahead. These would be of varying durations but would largely occur in the 2022-2025 period. This estimate would represent jobs directly under contract to UUW and roles that would be expected to be created by suppliers, but not further employment created by further “indirect” or “induced” effects.

Table 4 - Employment effects of Green Recovery spend

Project	UU Roles	Supplier Roles	Total	Commentary
Accelerating partnerships to deliver natural solutions (GR0002)	8	85	93	UU roles will begin at the start of the project (2022) Up to half the supplier roles will start immediately (2022), remaining to start later (2023).
Environmental improvements across the Manchester Ship Canal (GR0003)	40	111	151	Majority of UU roles (31) relate to define phase of the project and would be in the first 12 months of the project starting (2022). Supplier roles are from our contract delivery partners and would be spread across the 3 year delivery phase (2023 - 2025)
Tackling storm overflows (GR0004)	8	4	12	UU roles for the investigations (2024 - 2025) Supplier roles for the delivery of EDMs (2023)
Emissions regulations and the journey to zero carbon (GR0005)	23	119	142	Assuming even delivery of the IED programme, as per the cost profile, then these roles would be split over the 3 year period (2023 - 2025)
Grand Total	**79**	**319**	**398**	

5.1.2. Our proposed work on catchment interventions deeply embeds partnership working with third party organisations and opportunities to combine effort and resources (both financial and non-financial) to maximise joint impact and value for money. For these proposals we include significant commitments on obtaining third party support and partnership funding before proceeding to commit funds which would ultimately be recovered through customer bills. In this way we seek to demonstrate a strong commitment to exploring alternative sources of funding before proposing recovery from customers, as well as maximising efficiency and impact by looking to combine our strengths and capabilities with those of other organisations. Our proposals are backed by eighteen letters of support, which have been provided as appendices to this submission (see GR0002c to GR0002t) from organisations including local authorities, local and national environmental charities, local businesses and regulatory stakeholders.

5.1.3. Other projects being proposed as part of this submission are principally enhancement projects which have specific statutory drivers and water company obligations where achieving third party funding can be more challenging. However, we have taken steps to ensure we consider which other partners are available for engagement and joint working, either in delivering our specific proposals or in developing future programmes and solutions.

5.1.4. For example, we are proposing to explore an approach to delivering carbon reductions in bio resources which uses market driven solutions and engagement with third parties rather than seeking recourse to customer bills for this investment. Likewise, in planning for further work on resolving environmental issues affecting the Manchester Ship Canal, we are establishing a partnership group of key stakeholders to ensure that there is a full opportunity to work together in furtherance of joint objectives and ensure that efforts by different groups reinforce each other rather than merely overlap. Furthermore, elements of our proposed catchment interventions which are heavily reliant on delivering a partnership approach both contribute to improvements which are relevant to our proposals on storm overflows and the canal.

5.1.5. On this basis, we consider that taken as a whole, our proposals maximise the opportunity to deliver through partnerships, provide robust mechanisms for ensuring this is the case in practice and thereby maximise the opportunities offered for external contributions (either in cash or in kind) and minimise recourse to customers for investment needs.

6. Impact on customers

6.1.1. We believe our proposals will have a positive impact for customers. As well as the potential service benefits that arise over the longer term, customers in the region will be able to benefit from the broader benefits of green recovery spend to the economy, environment and community.

6.1.2. We propose that the additional £135m of investment that is subject to additional regulatory approval will not be reflected in customer bills in AMP7 but will instead be reflected in price changes from AMP8 and beyond. Our default assumption is that recovery of this additional £135m of AMP7 spend would be achieved through a rolled up adjustment to the RCV at the outset of AMP8 on an NPV neutral basis reflecting inflation and the regulated rate of return.

6.1.3. On this basis, it is expected that the impact of our proposals on customer bills is to increase them by approximately £2.74 (in 2017/18 prices, or £2.87 in current prices) on average over AMP8. Whilst most of the bill impact relates to enhancement expenditure that we would expect to propose for our AMP8 business plan in any case, bringing forward the expenditure to AMP7 represents £0.33 (in 2017/18 prices, or £0.35 in current prices) as an addition to the average household bill. We have used customer research to test these impacts with customers and have found that a representative survey suggests that the majority of customers support the approach.

6.1.4. We also note that bill impacts overall will be assessed in further detail as part of the PR24 process ahead of submitting our AMP8 business plan and the phasing of any changes in customer bills will be considered as part of the final determination. These processes provide an opportunity to further review the appropriate phasing of recovery in the context of AMP8 expenditure and bill impacts overall.

6.2. Customer protection

6.2.1. We have taken extensive steps to ensure that our proposals provide customer protections:

(a) We have ensured that the proposals requiring additional regulatory support are sized at a level that is consistent with customer support. This includes adjusting our proposals following the results of customer research;

(b) We have proposed that bill increases are not applied in AMP7 and are held over until AMP8;

(c) In separate measures, already activated, we have introduced an expansion of availability of social tariffs reflecting the anticipated impact of COVID-19 and the need for some customers to receive additional financial support;

(d) We are proposing that the scope of work covered by our Green Recovery proposals represents a permissible limit of activity rather than inevitable commitments. This means that proposals will only be implemented where, at the time of implementation, they continue to offer efficient and effective approaches to delivering the right outcomes;

(e) There will be no recourse to customers for proposals which do not proceed. Where proposals only partly proceed, we expect to recover costs only on a pro-rata basis as described in detail with each proposal;

(f) We have sought third-party funding or support in kind where possible and will continue to maximise such contributions for these projects going forward, thereby minimising the extent to which customer funding is sought; and

(g) We have made cost estimates which are as robust as possible in the time available. We have proposed mechanisms to ensure that where costs or scope are subject to subsequent clarifications or new information, recourse to customers is limited to the efficient amount.

6.2.2. Table 5 below summarises customer protections for each proposal.

Table 5 - Example customer protections

Proposal	Customer protections
Accelerating partnerships to deliver natural solutions (GR0002)	• A range of bespoke protections appropriate to the solution being implemented, including: • A commitment that company funding for schemes will only be provided where anticipated external funding is forthcoming; • A cost benefit test applied to schemes before they are implemented • An absolute cap on the total investment in SUDs schemes delivered through this approach; and • Where outturn costs are lower, then recovery from customers will be reduced by the full amount (i.e. enhanced cost sharing on underspend.)
Environmental improvements across the Manchester Ship Canal (GR0003)	• Detailed engineering estimates underpin costs; and • Where outturn costs are lower, then recovery from customers will be reduced by the full amount (i.e. enhanced cost sharing on underspend.)
Tackling storm overflows (GR0004)	• Cost recovery for EDM, investigations and individual ICMs is based on a per-install and per-delivery basis for meters and investigations and a bespoke cost estimate per individual ICM delivered for each catchment where delivery is achieved and • Where outturn costs are lower, then recovery from customers will be reduced by the full amount (i.e. enhanced cost sharing on underspend.)
Emissions regulations and the journey to zero carbon (GR0005)	• Scope of works to be confirmed in line with signed off EA permits; • Potential Ellesmere Port investment not dependent on additional customer funding; and • Where outturn costs are lower, then recovery from customers will be reduced by the full amount (i.e. enhanced cost sharing on underspend.)

6.2.3. In all cases, for all programmes, if a scheme or proposal gets cancelled, delayed or reduced in scope, recovery from customers will be adjusted to reflect non-delivery or partial delivery as appropriate. If accepted by Ofwat, we will confirm the position on the delivery of proposal (and hence the impact on recoverability in AMP) as part of our PR24 business plan submissions.

6.2.4. We have also taken steps to ensure that, where necessary, there are safeguards in place to ensure that there is no material double counting or other adjustments required to existing ODI measures or cost allowances set under FD19:

(a) Investment at Bury WwTW will not count towards our “Rivers Improved” ODI measure, ensuring that no additional ODI reward is earned;

(b) Partnerships and catchment approaches are subject to a number of specific safeguards to ensure that there is no double-counting of funding and no overlap with existing ODIs;

(c) The IED enhancement programme reflects specific statutory drivers and does not overlap with existing cost allowances[1]; and

(d) Storm overflows work does not impact existing ODIs and is aimed at ensuring there are better plans, proposals and data available for AMP8.

[1] NB: The cost of specifying the permitting requirements and establishing these with the EA is assumed to be recovered from base expenditure and is not part of the proposed IED proposal for Green Recovery

7. Ability to deliver

7.1.1. In making our proposals we have been mindful of the requirements set out by Defra and other regulators about the need to ensure the company is in a position to deliver the proposed investment. We provide evidence on this in relation to three aspects of our capability:

(a) Current delivery of AMP7 performance;

(b) Financial headroom to undertake the investment and withhold bill increases; and

(c) Our current delivery of the AMP7 investment programme.

7.1.2. We recognise that it is legitimate for the process of regulatory scrutiny to seek clarifications and potentially raise challenges to our proposals and we will be pleased to assist the regulators as they work to discharge their responsibilities in this regard. Once the regulatory process is complete and it is clear to what extent our proposals have received regulatory approval, the company will further review the evidence available to it and make a decision about whether to proceed with the proposals at that stage.

7.1.3. This decision will be based on whether the proposals remain in the best interests of the company's broad range of stakeholders and will take into account any new information received or identified by the company post-submission, the circumstances prevailing at the time the regulatory process concludes and whether the regulatory process has yielded sufficient support for the proposals to be implementable and financeable by the company.

7.2. Current delivery of AMP7 performance

7.2.1. As part of our submission we have been asked to provide a commentary on our current AMP7 performance[2]. Forecast performance is an item which is subject to regular review and scrutiny, including through performance reporting to the UUW Board and is released publicly as part of our standard regulatory reporting cycle and financial reporting to stakeholders. We confirmed at our interim results announcement in November that we believe we are on track to deliver well against our FD19 performance commitments and investment plan and that we expect to achieve a net financial reward reflecting stretching performance for the 2020/2021 year.

7.2.2. [✄]

Retail

7.2.3. [✄]

[2] GR0008 – United Utilities Green Recovery table set

7.2.4. [✂]

Wastewater service

7.2.5. [✂]

7.2.6. [✂]

7.2.7. [✂]

7.2.8. [✂]

Water service

7.2.9. [✂]

7.2.10. [✂]

7.2.11. [✂]

7.2.12. [✂]

7.2.13. [✂]

7.2.14. [✂]

7.2.15. [✂]

7.2.16. [✂]

7.2.17. [✂]

Strategic programmes

7.2.18. [✂]

7.2.19. [✂]

WINEP

7.2.20. Regulatory guidance requires that we comment on our forecast position against the WINEP performance metric used in the Environment Agency's Environmental Performance Assessment reporting. We forecast our WINEP performance for 2021-2022 to be 100% of planned schemes delivered.

7.2.21. There are 249 schemes in the WINEP (including AMP6 carry over) with a delivery date up to 31 March 2022, all of which have been considered in this forecast[3]. Of the 249 schemes, there are 25 WINEP schemes where changes are in progress with the Environment Agency (EA).

7.2.22. Where we know that a scheme on the WINEP is not able to meet its delivery date, it is standard practice that we enter into dialogue with the EA to change the delivery date. This can be a simple date change, or can mean swapping the scheme with another, due to deliver later in the AMP, which is of similar environmental benefit. There are a number of reasons why dates in the WINEP may need to change, often linked to the nature of the scheme. For example, we have:

- 11 schemes where the delivery has been impacted by COVID-19 restrictions, which have affected ways of working on site, or have delayed dependencies, such as planning permission where the timescales for local authority action have been impacted by COVID-19
- 8 schemes where the primary reason for a date change is to allow additional data to be gathered, in order to inform the appropriate next steps
- 2 schemes where their delivery is linked, so their dates are being aligned (one date is going back and one date is coming forwards)
- 2 schemes which are no longer required and are therefore being deleted from the WINEP
- 1 scheme where we have agreed to additional requirements during the delivery of the scheme and so require additional time to deliver them
- 1 scheme we are delivering early, with its date brought forward, so its delivery will be reported as a year 1 output

7.2.23. Changes are formalised via the submission of a WINEP Alteration Form to our local EA representatives, with subsequent sign off from the national EA and Defra (where appropriate). Where

[3] See GR0008 – United Utilities Green Recovery table set for the full list of schemes considered.

the EA's requirements change, it is possible that schemes currently in the WINEP are no longer required. Where this happens, we support the EA which leads the process to have such schemes deleted from the WINEP.

7.2.24. We are confident that, through our early discussion and regular liaison with the local EA, our 2021-2022 WINEP delivery, based on the EA's EPA performance assessment methodology, will be 100% delivery of the schemes planned in the WINEP. As projects are launched within the AMP, we have a risk and value process that looks at the project and re-assesses its requirements, constraints and time and costs. This process forecasts the time and cost expected for the delivery of each project (always looking at achieving a regulatory commitment). The risk and value process continues as a project moves down its delivery timeline. For each project we have monthly project reviews undertaken by the project manager and team. Programme managers check, review and verify project and programme information before it is presented for further review by the area heads of programme. Project and programme information is reported into a directors meeting on a monthly basis where the time and cost performance is further reviewed and challenged. In addition to this we have an independent programme management office which runs an assurance gateway process which at defined key points along the delivery cycle reviews that projects have undertaken, what they are required to have done in accordance with our standard delivery processes. This gateway review is another layer of assurance to provide confidence in the reported delivery time and costs of the projects within the programme.

7.3. Financial headroom

7.3.1. We have considered the financial headroom available to deliver our proposals on both the actual company and notional company basis.

Actual company

7.3.2. We remain committed to ensuring that we are fully financeable on an actual basis. We aim to target a credit rating that provides a degree of headroom above the threshold for investment grade.

7.3.3. The current ratings for United Utilities Water Limited ("UUW") and debt issued by United Utilities Water Finance PLC ("UUWF") are shown in Table 6.

Table 6 - Current group ratings (format: long term unsecured debt rating / rating outlook)

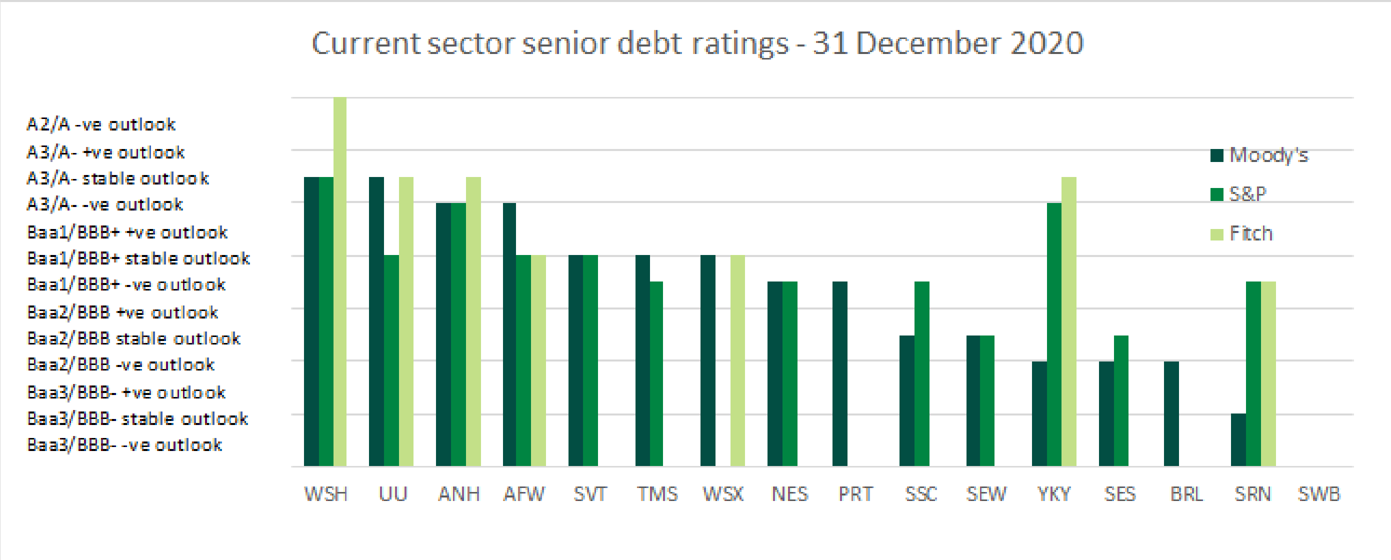
	Moody's	Standard & Poor's	Fitch
UUW	A3 / Stable	BBB+ / Stable	A- / Stable
UUWF	A3 / Stable	BBB+ / Stable	A- / Stable

7.3.4. United Utilities held its annual senior management meetings with Moody's, S&P and Fitch during July 2020, sharing business plan financial ratio projections with the agencies. All three agencies have now published their subsequent reports confirming unchanged ratings.

7.3.5. The additional expenditure to support the Green Recovery is small in the context of the rest of the business' activities (c.2.5% of AMP7 wholesale totex allowance) and so the incremental impact on key ratios for the actual company is anticipated to be small. In addition to this, even including the additional expenditure and the delayed reflection of this in bills, UUW gearing is anticipated to remain at levels considered normal for the sector (i.e. below the threshold to trigger Ofwat's Gearing Outperformance Sharing Mechanism (GOSM) in each year of AMP7.)

7.3.6. Ratings agencies do not always determine a credit rating based on individual measures in isolation, and may take into consideration a range of measures in the round. However, as a company, we continue to have some of the strongest ratings within the sector, which places us in good standings to be able to negate the impact of the additional expenditures accelerated through the Green Recovery. The ratings on senior debt across the sector as at 31st December 2020 is shown in Figure 2 below.

Figure 2 - Current sector senior debt ratings as of 31st December 2020



7.3.7. The Board has considered the impact of financing the proposed green recovery spend, based on our proposals and projected costs, and has concluded that delivering the proposals would be consistent with maintaining acceptable credit ratings, with considerable headroom compared to the requirements of the company licence. Given the anticipated impact on the company's gearing, the Board concluded that it would not put the company at an unacceptable or unsustainable level of gearing.

7.3.8. The Board will review financeability of the company in the context of the Green Recovery proposals again following the conclusion of the regulatory review of this submission, expected in September. At that point the Board will again assess the potential impact of proceeding with the proposals in the context of the degree of regulatory support provided, including consideration of whether it continues to be in the best interests of all stakeholders and the potential impact on the company's financial resilience based on the best information available to UUW at that time.

Notional company

7.3.9. In addition to assessing the impact on the company given the actual company structure and conditions, we have considered the impact on the notional company in line with the approach to assessing financeability that Ofwat adopted at PR19.

7.3.10. Table 7 and Table 8 utilise Ofwat's PR19 financial model, with Table 7 presenting the impact of Green Recovery on the notional company structure and using the FD19 assumptions (i.e. we do not update for actual performance or changes to inflation), whereas Table 8 is the base position of each indicator at the final determination and is included for reference.

Table 7 - Green Recovery financial indicators (nominal) pre-post financeability adjustments and reprofiling – notional company

	2020-21	2021-22	2022-23	2023-24	2024-25	AMP7 avg.
Cash interest cover	4.56	4.63	4.77	4.73	4.63	4.66
Adjusted cash interest cover ratio	1.7	1.66	1.65	1.49	1.34	1.57
Funds from operations / debt	11.30%	11.21%	11.35%	10.85%	10.46%	11.04%
Retained cash flow / debt	0.092	0.09	0.09	0.085	0.081	0.088
Gearing	58.5%	57.1%	56.1%	55.9%	55.9%	56.7%
Dividend cover	2.06	1.86	1.69	1.37	1.12	1.62
RCV / EBITDA	11.44	11.7	11.94	12.51	12.94	12.11

Table 8 - FD19 financial indicators (nominal) pre-post financeability adjustments and reprofiling - notional company

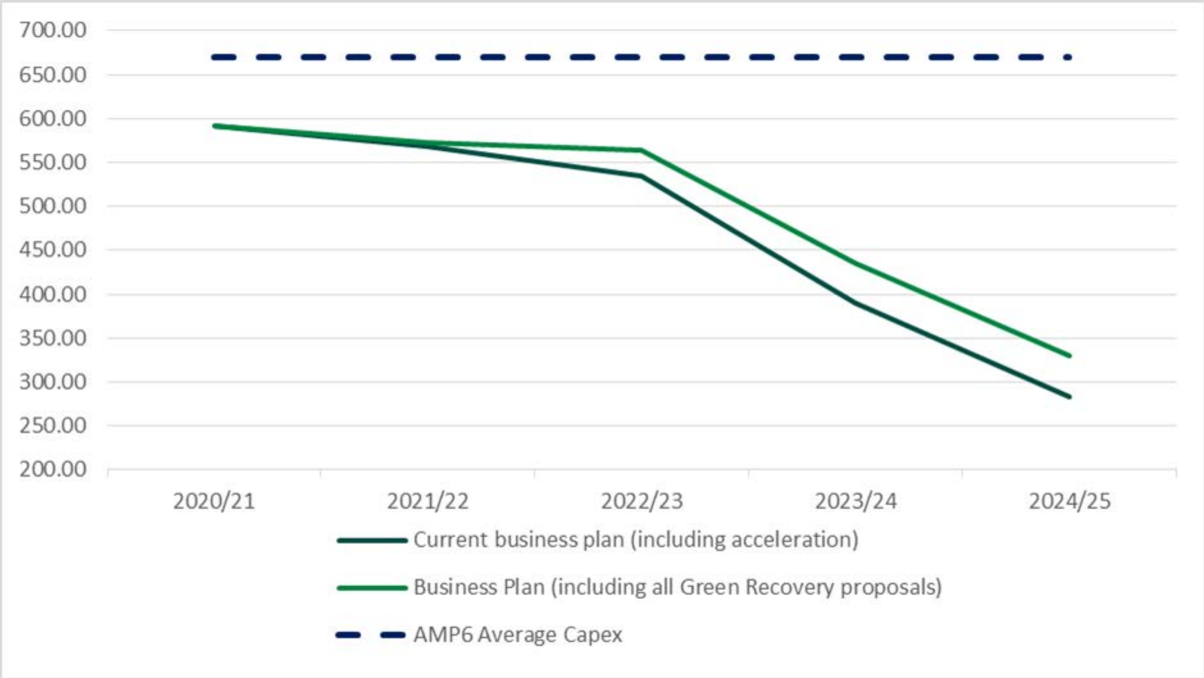
	2020-21	2021-22	2022-23	2023-24	2024-25	AMP7 avg.
Cash interest cover	4.56	4.64	4.81	4.83	4.79	4.72
Adjusted cash interest cover ratio	1.70	1.67	1.67	1.53	1.40	1.59
Funds from operations / debt	11.30%	11.22%	11.47%	11.12%	10.85%	11.19%
Retained cash flow / debt	0.092	0.090	0.092	0.087	0.084	0.089
Gearing	58.4%	57.1%	55.7%	55.1%	54.6%	56.2%
Dividend cover	2.06	1.86	1.72	1.44	1.22	1.66
RCV / EBITDA	11.44	11.68	11.86	12.37	12.78	12.03

7.3.11. Whilst there were no specific thresholds against which Ofwat assessed financeability on each of these measures, the above tables help to illustrate that the impact on each of the ratios measured is limited. We therefore consider that if Ofwat was to undertake an assessment of financeability on the additional expenditure using the same approach as at PR19, it would likely conclude that UUW remains financeable on the basis of the average ratios over AMP7.

7.4. Past delivery

7.4.1. Our Green Recovery proposals will increase our annual average capital expenditure for the period 2020/21 to 2022/23 to £576m per annum (17/18 prices). This compares to an average of £670m p.a. (17/18 prices) in the previous regulatory period. As such we are confident in our ability to deliver a programme of this scale.

Figure 3- Impact of Green Recovery on capital programme



7.4.2. Our Green Recovery proposals have been developed using the same methodology as our PR19 plan, including the approach to costing and scheduling of investment. As such we have developed efficient and deliverable plans. This combined with past performance of delivering commitments, and ability to deliver programmes of this scale provides confidence we can deliver these proposals.

8. Evidence of customer support

8.1. Customer research

8.1.1. In order to better understand customers' views on proposed Green Recovery projects, primary acceptability research was conducted on project benefits and associated bill impacts. This research, alongside existing insight developed as part of the PR19 business planning process, has sought to establish levels of support from UU customers for investment in each Green Recovery proposal and degree of acceptance of the impacts this would have on future bills. The research looked to understand levels of customer support for investing in each of the Green Recovery proposals individually and the programme as a whole.

8.1.2. The full summary of research findings has been included as an appendix to United Utilities Green Recovery submissions (see document GR0010 – Green Recovery customer research report).

Approach to research

8.1.3. We conducted a regionally representative online survey of over 2,000 household customers. This sample size ensures we have robust numbers by which to evidence levels of customer support and willingness to pay. This approach took into account the tight timelines to produce the research and the challenges of conducting customer research over the Christmas period and the enhanced COVID-19 restrictions in place.

8.1.4. The research targeted a regionally representative household sample of bill payers across the United Utilities region. We achieved sufficient coverage of each of the following groups to allow for analysis by subgroups, including; rural/urban; metered/unmetered; age; vulnerability; and affordability challenges/in debt groups.

8.1.5. Whilst we believe the research provides a good indication of customers' views, we recognise that adapting to Green Recovery timelines has required some variance from best practise for this type of research. Specifically we would ordinarily supplement online survey with CATI (telephone surveys), as we have done for previous acceptability research. We would also normally conduct some qualitative research to help shape our questioning, and consider face to face surveys to help engage particularly hard to reach groups. In addition, we would typically have included research with non-household customer groups. However, timings and COVID-19 constraints meant we used a quantitative, online method only and surveys were conducted over the Christmas period, despite this ordinarily being avoided due to difficulties in engaging respondents. Whilst we were not able to conduct primary research with non-household customer groups on these proposals, we do know that in previous acceptability research conducted at PR19 non-household customers expressed views that were very similar to those held by household customers.

8.1.6. The Consumer Council for Water (CCW) and the Customer Challenge Group (YourVoice) both had an opportunity to review and comment on the methodology and question structure used before surveys began. We adapted the questions asked in the survey as well as the description of project benefits in response to their comments. CCW and YourVoice had an opportunity to review the results of the survey and comment on the presentation of results.

8.1.7. In line with CCW recommendations, we tested support for:

(a) Individual Green Recovery projects and benefits;

(b) Support for individual project bill impacts;

(c) Combined programme bill impacts, before considering additional bill impacts due to Green Recovery acceleration; and

(d) Combined programme bill impacts, after including additional bill impacts due to Green Recovery acceleration.

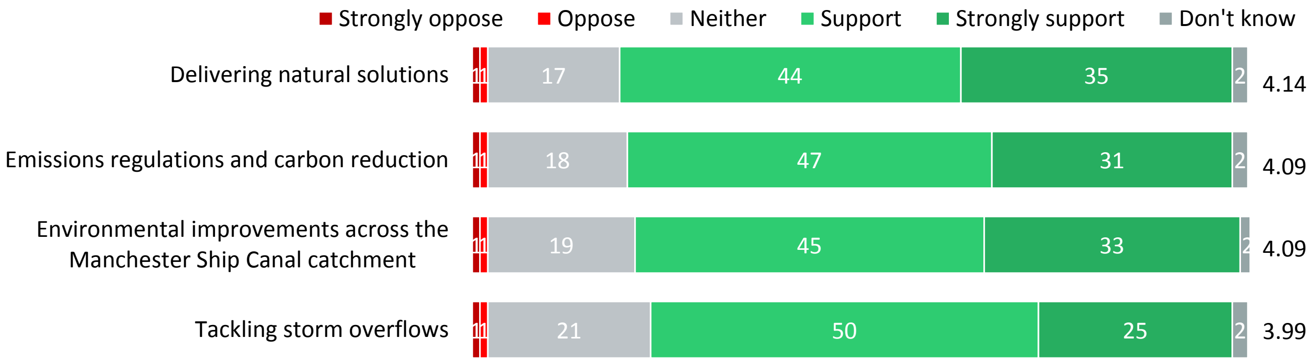
Results of Green Recovery primary research

8.1.8. Key findings of the Green Recovery acceptability research:

(a) A regionally representative sample of over 2,054 responses was achieved, covering key customer sub groups;

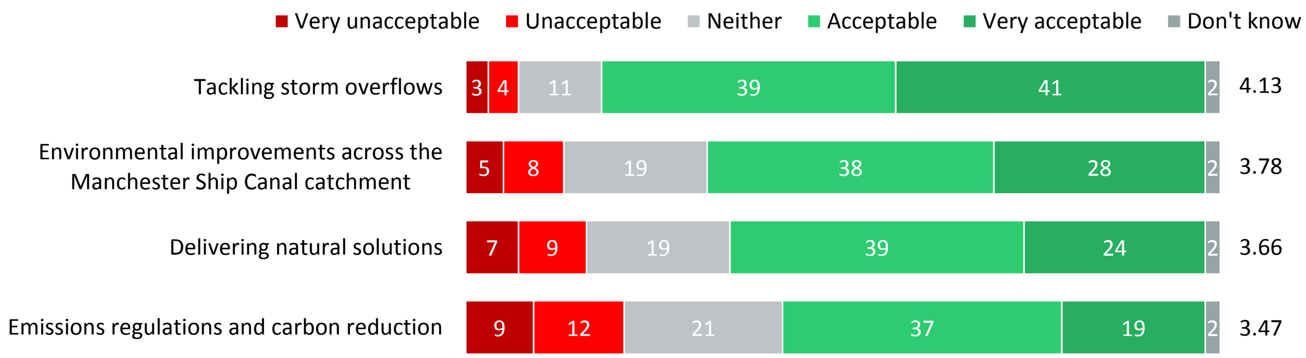
(b) Each of the proposals individually gained high levels of customer support for proposed benefits before bill impacts were presented, with between 75% and 79% of respondents supporting the projects;

Figure 4 - Customer support by project before bill impacts



(c) When bill impacts were presented, levels of acceptance for individual proposals reduced slightly, but remained high at between 56% and 80%;

Figure 5 - Customer support by project after bill impacts



(d) When testing support for a total combined Green Recovery programme, before considering the costs of Green Recovery acceleration, a £5 increase in annual bills attracted 67% support, with only 14% opposing the proposals;

(e) When testing support for a total combined Green Recovery programme, including the costs of Green Recovery acceleration, a £6.50 increase in annual bills attracted 57% support, with only 19% opposing; and

(f) Levels of support for Green Recovery acceleration and associated bill impacts are lower amongst some customer groups. Most notably, levels of support are between 41% and 47% amongst lower income and vulnerable customer groups.

8.1.9. Overall, we can conclude that a majority of customers support United Utilities' Green Recovery proposals. We note, however, that a sub-group of customers have reservations, primarily linked to increases in future bills, and that these concerns appear to be most prominent amongst lower income groups.

8.1.10. In recognising these likely concerns, we have proposed a number of important mitigations to future bill increases. We have delayed bill increases until AMP8, and – as set out below – will also want to review the overall approach to affordability and bill levels as part of the PR24 process.

8.1.11. As part of our wider response to COVID, and its impacts, we have introduced extended social tariff affordability support to help address increased affordability challenges. We have also continued to make substantial direct company contributions to support schemes. For example, in April 2020, we made a £3.5m contribution to the UU Trust Fund specifically to help people who struggle to pay their water bills.

Changes since research was completed

8.1.12. Since customer acceptability research was completed, there have been some changes to the scope and bill impacts of Green Recovery proposals. We project that these changes are likely to have increased levels of customer support.

(a) We have further developed scheme costs and associated bill impacts since customer research completed. In all cases tested bill impacts are higher than those now being proposed, giving confidence that stated customer acceptance levels are higher.

Table 9 - Scheme costs tested with customers and final proposed scheme costs

Ref.	Proposal	Tested totex (2017/18 prices)	Final proposed totex (2017/18 prices)
GR0002	Accelerating partnerships to deliver natural solutions	£21.6m	£15.4m
GR0003	Environmental improvements across the Manchester Ship Canal	£43.94m	£44.06m
GR0004	Tackling storm overflows	£10.10m	£7.88m
GR0005	Emissions regulations and journey to zero carbon	£106.98m	£67.16m
Not used	Enhanced customer metering	£44.57m	N/A
Total		**£227.10m**	**£134.50m**

Table 10 - Bill impacts tested with customers and final proposed bill impacts

Cost of implementation			
Ref.	**Proposal**	**Tested bill impacts (2020/21 prices)**	**Proposed bill impacts (2020/21 prices)**
GR0002	Accelerating partnerships to deliver natural solutions	£1.30	£0.18
GR0003	Environmental improvements across the Manchester Ship Canal	£0.70	£0.54
GR0004	Tackling storm overflows	£0.10	£0.06
GR0005	Emissions regulations and journey to zero carbon	£2.00	£1.74
Not used	Enhanced customer metering	£0.90	N/A
Subtotal (before acceleration)		£5.00	£2.52
Cost of acceleration			
Ref.	**Proposal**	**Tested cost of acceleration (2020/21 prices)**	**Cost of acceleration (2020/21 prices)**
GR0002	Accelerating partnerships to deliver natural solutions	£0.39	£0.17
GR0003	Environmental improvements across the Manchester Ship Canal	£0.21	£0.03
GR0004	Tackling storm overflows	£0.03	£0.00
GR0005	Emissions regulations and journey to zero carbon	£0.60	£0.14
Not used	Enhanced customer metering	£0.27	N/A
Subtotal - cost of acceleration		£1.50	£0.35
Total (after acceleration)		**£6.50**	**£2.87** (£2.74 in 2017/18 CPIH)

(b) We have removed a project proposal related to enhanced household metering from the Green Recovery programme. This scheme was tested as part of survey work, but later removed from Green Recover proposals. This scheme had levels of customer support which were lower than the Green Recovery programme as a whole (with acceptability, after considering bill impacts, of 53% and unacceptability of 23%) and was a significant contributor to the estimated bill increases. As such, we can conclude that total programme acceptance levels will have been increased by the projects removal from the programme.

(c) We have modified the scope of the 'Emissions regulations and journey to zero carbon' project. These changes have reduced bill impacts from the scheme, and provided greater confidence that the proposals offer customers value for money[4]. In research, those customers who did not support the scheme raised concerns around the value of investing in carbon reducing measures. The revised scope acts to more clearly protect customers from suboptimal investments in these aspects of the proposal. As such, we expect that the changes are likely to have a positive impact on levels of customer support.

[4] GR0005 – Emissions regulations and the journey to zero carbon

(d) We were able to substantially reduce costs from initial estimates on our Partnership schemes following internal cost challenge and assurance work. The package now incorporated into these proposals therefore offers superior value for money compared to the assumptions made in assessing bill impacts as part of the customer research exercise. As such, we conclude that customer support for our amended proposals would be enhanced compared to the research results.

8.2. Removal of accelerated metering proposal

8.2.1. In developing our Green Recovery programme, we have engaged extensively with a wide group of stakeholders and customers. In these engagements (including as part of our customer research), we included a proposal to accelerate the number of household meters fitted in AMP7 beyond projections in our latest Water Resource Management Plans and business plans. We have considered the evidence supporting such a proposal carefully, alongside feedback received from stakeholders and the joint guidance issued by Defra and the regulators on the attributes expected for a successful Green Recovery proposal. Following careful consideration, we have decided not to advance these proposals at this stage and have therefore withdrawn them from our proposed package.

8.2.2. There are a number of factors which influenced this decision as we developed proposals in more detail since the summer. During this time, we have seen the impacts of COVID become more acute. In particular, we have seen substantial reductions in the take up of our fFree Meter Option (FMO). With home working, and other changes that drive up home water use now likely to be on customers' minds for some time to come we now anticipate that reductions in our FMO uptake will be sustained and may become an enduring issue, which will require new solutions.

8.2.3. As part of our Water Resource Management Plan we have already projected that we will retrofit 180,000 household meters in AMP7. Based on our latest projections, we are unlikely to meet year one meter fitting projections, and will need to use alternative, proactive meter fitting propositions to achieve anticipated numbers for the AMP. Although this type of meter fitting programme is common across the industry, it is not one that United Utilities has past experience of. Recognising the expectation that companies' have a high degree of confidence around the deliverability of Green Recovery proposals, and that existing delivery plans should be 'on track', we have concluded that a proposal to accelerate meter fitting in AMP7 is not appropriate to be put forward at this stage.

8.2.4. We also noted that customer research indicated that additional meter fitting is a lower priority for customers than the other elements of our Green Recovery programme. Whilst a majority of customers do support additional meter fitting, there remains a sizeable minority that were less supportive once bill impacts of the programme are considered. Our view was therefore that support for the package as whole would be improved by removing a proposal which received relatively less support compared to others.

8.2.5. We remain convinced by the fundamental environmental, water efficiency and value for money cases for household metering, and are committed to achieving the levels of meter fitting needed to deliver a resilient, fair and affordable water service. We will use the learnings from delivery of our AMP7 metering programme, including new proactive meter fitting options, as well as the work undertaken as part of the Green Recovery planning process, to develop revised metering proposals for future Water Resource Management and PR24 Business Plans.

8.3. Bill impacts

8.3.1. We acknowledge that the current economic environment has placed significant financial pressures on to many households. Therefore, we do not propose to recover any additional revenues in the current regulatory period to reflect the £135m of proposed additional investment in AMP7. Instead, we propose for recovery of that expenditure to be deferred until AMP8 and beyond.

8.3.2. Our baseline proposal is that all of the £135m totex expenditure incurred plus the cost of financing should be added to the closing (31 March 2025) AMP7 RCVs alongside other reconciliation “midnight adjustments” at PR24 on an NPV neutral basis. However, as set out below, a number of other paths to cost recovery could be adopted which would recover the same value but be reflected differently in bills over time.

8.3.3. Figure 6 below shows four different profiles for cost recovery.

(a) **“Counterfactual AMP8 profile”** represents our estimate of the bill impact if our £135m green recovery proposals were not applied in AMP7 and instead was deferred until AMP8. This uses natural PAYG rates for expenditure and straight-line depreciation in line with the individual assets that are created;

(b) **“Price Control PAYG profile”** represents our estimate of the bill impact of the £135m additional proposals were approved and then recovered through totex in AMP8 based on the FD19 PAYG profile (equivalent to including in the PR19 reconciliation models with 100% recovery);

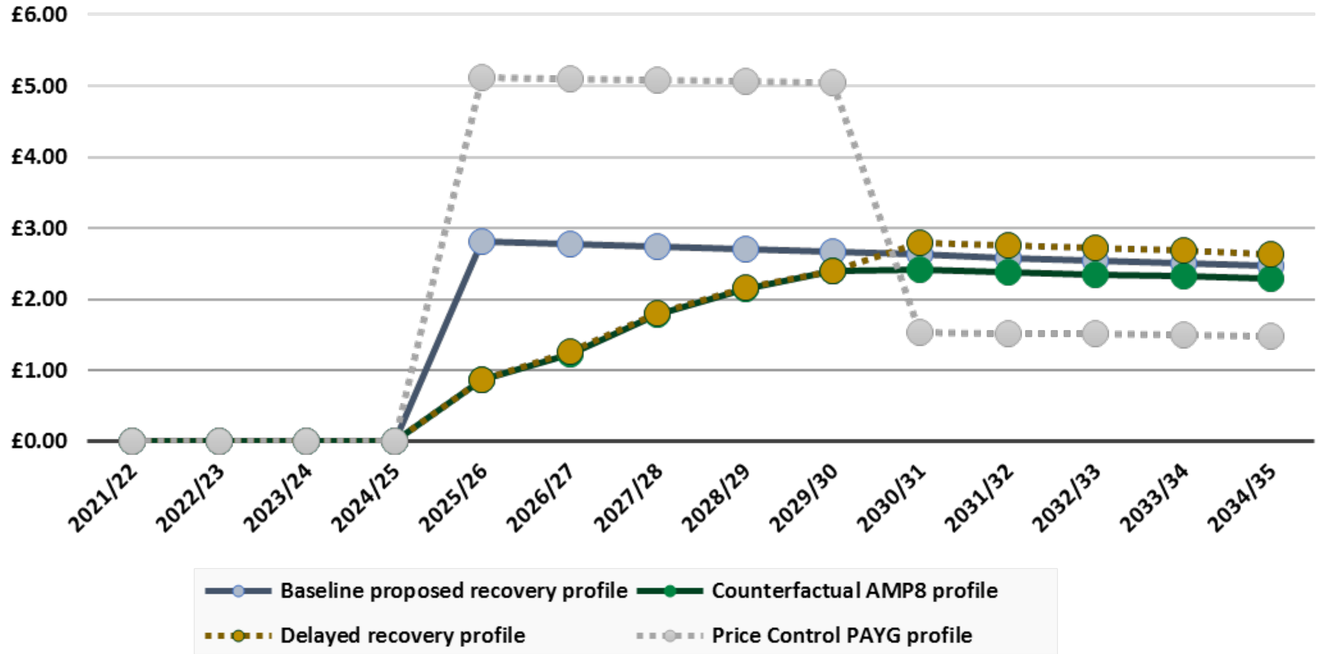
(c) **“Baseline proposed recovery profile”** reflects our suggested baseline approach set out above – i.e. that the £135m proposed spend and associated financing costs incurred in AMP7 is rolled up as an RCV addition at the commencement of AMP8, on an NPV neutral basis. Under this approach, we have added all £135m AMP7 totex expenditure to the RCV (£138m including financing adjustments) - in effect setting a PAYG rate of 0%, and applying straight-line depreciation for each case using the weighted average asset life of all AMP7 expenditure. For all future expenditure e.g. AMP8 opex impacts, we use natural PAYG rates in the derivation of revenue requirements; and

(d) **“Delayed recovery profile”** reflects an approach whereby there is an intentional intervention in RCV run off rates for the £135m additional AMP7 green recovery spend in order to mimic more closely the timing of recovery through bills such that it more closely resembles the profile had the spend occurred in AMP8.

8.3.4. This results in a reducing profile of revenues recovered in AMP8 for each Green Recovery case (as the opening RCV is reduced in each year by RCV run-off). Because of this, we used the AMP8 average bill to represent the bill impact of our proposals (rather than 2029/30) in order to avoid understating the result. For the ‘Counterfactual AMP8 profile’ case, we have used the 2029/30 average bill impact as the valuation. The impact of acceleration on customers is therefore valued as the difference between the average AMP8 average bill for the ‘Baseline proposed recovery profile’ and the 2029/30 average bill for the ‘Counterfactual AMP8 profile’. Whilst each option results in different recovery profiles, all of the options result in a final bill impact that is below the total £6.50 (2020/21 prices) including the cost of acceleration that was tested with customers.

8.3.5. The impact of these different approaches to recovery is set out in Figure 6 below.

Figure 6 - UUW proposals for Green Recovery allowed revenues - customer bill impact, 2018/18 CPIH, 2020-21 average bill



8.3.6. The final decision around how (quickly) the revenues are recovered in AMP8 does not need to be made until PR24. Our baseline approach reflects our current view of the default position and is the proposal that we are putting forward for regulatory consideration in this submission. We see this as likely to be more acceptable to customers than the Price Control PAYG profile and, by bringing forward spend into AMP7 and thereby realising earlier benefits, as being preferable to the Counterfactual AMP8 profile that would occur if our green recovery proposals did not proceed.

8.3.7. However, we would be willing to consider alternative or hybrid options for the recovery of this expenditure in AMP8 to further manage the impact on customer bills, subject to any financeability constraints. For example, in the context of managing bill impacts overall for AMP8, we could therefore consider adjusting the AMP8 RCV run-off percentages so that the AMP8 revenues mirror the counterfactual BAU revenue profile, had the schemes not been accelerated within green recovery and instead, delivered in AMP8 as originally planned. This could be achieved by modifying RCV run-off rates in line with the "Delayed recovery profile". Whether this approach – or whether something that offers earlier recovery – is most appropriate is a judgement that would be better made at the time of making decisions at PR24, in the context of the full picture of the expected bill impacts and bill profiling for AMP8.

8.3.8. We therefore propose that whilst assessment of our Green Recovery proposals should be based on our "Baseline" approach, the company should undertake to revisit the timeline of this recovery as part of its PR24 submission and its broader assessments of affordability, bill impacts and financeability. Ofwat will then be able to take account of any further modifications proposed – and whether it considers that they are in customers' interests - in deciding the approach that it ultimately incorporates into bill profiles for PR24 final determinations.

9. Assurance

9.1. Assurance approach

9.1.1. We have implemented a robust assurance approach in order to assure the plan. We enclose with this submission a Board Assurance Statement (document GR0006) and an additional appendix providing additional evidence of the process, checks and controls applied to the submission (document GR0009a).

9.1.2. Our published assurance framework has evolved over time adopting an industry recognised risk based approach. We have utilised this structured assurance framework and tailored it accordingly to ensure that the assurance that we have applied to each area of the plan is both proportionate and comprehensive, within the constraints of the timescale available for submission preparation. In line with our PR19 assurance approach, it is comprised of five linked processes summarised below.

Requirements

9.1.3. The requirements set out by regulators in their Green Recovery criteria have been cross referenced to a set of deliverables within each identified project, enabling us to ensure relevant success criteria was being met. Each project is structured in a way to demonstrably respond to each requirement.

9.1.4. At the start of the programme we developed a list of all the requirements set out within published suite of documents relating to Green Recovery. This list was reviewed, kept live throughout the programme and updated to reflect any amendments by the programme management team. Our submission was structured around projects being able to meet the requirements and assured accordingly against them. The process was reviewed by both internal corporate audit and third party assurance provider Deloitte LLP in order to give confidence that all requirements were being addressed.

Executive accountability

9.1.5. A “RACI” matrix was developed (RACI is a matrix defining who within a programme of work is: responsible for delivering the activity; accountable for the activity; needs to be consulted on the activity or needs to be informed about the activity), identifying executive high-level accountabilities and responsibilities.

Programme management

9.1.6. An experienced programme management team was formed managing the programme through a central plan.

9.1.7. Each project within the programme was supported by the Programme Management Office (PMO) team. This plan was built and reviewed on a weekly basis through working group meetings. These meetings ensured that we could address issues as they surface, keep updated with communications and any amendments to requirements, as well as review and update progress against milestones, allowing the PMO to ensure that the programme was demonstrably robust and was on track to deliver. Where issues and recommendations were identified, the required corrective actions were tracked by the PMO.

Risk assessment

9.1.8. Each deliverable went through a risk assessment, with this risk assessment process being used to determine both the level of governance that was to be applied to the deliverable and the level of assurance required.

9.1.9. The framework used for the risk assessment is the same as that used for the Annual Performance Report, although the specific risk assessment criteria have been reviewed and where appropriate revised to reflect the Green recovery programme. This is an approach we have successfully used before including our PR19 business plan submission.

9.1.10. The risk assessment process separately reviews the impact and probability of any potential risks associated with misreporting of each data item. The risk assessment is undertaken within an excel model and generates an overall combined risk rating.

9.1.11. The impact score assesses the scale of the potential consequence of inaccurate, incomplete, misreported or late data across four categories; stakeholders, competition, finance and performance targets or outcomes.

9.1.12. The probability score is assessed via two steps; initially the inherent risk involved in the processes for data collection, manipulation and reporting the data is assessed and then the mitigating effect of any established control activities, systems and processes is then assessed to determine the overall likelihood rating. The overall combined risk rating is then derived from the combination of the impact and the likelihood score. This assessment was undertaken with the accountable work stream authors.

9.1.13. Each requirement within the plan was risk assessed to determine the level of governance and the level of assurance that was required. To ensure consistency the work was undertaken alongside and with oversight by specialists from economic regulation.

Robust assurance processes

9.1.14. We applied a structured risk-based three lines of assurance process to the deliverables within the programme. This included the use of internal corporate audit team and Deloitte LLP.

9.1.15. The effectiveness of this approach was independently reviewed by Deloitte. Deloitte's scope of work included two defined work streams covering, firstly, an assessment of the assurance process which supported development of proposals by UUW and, secondly, a comparison on the alignment of the proposals and the regulatory requirements set out in relation to the Green Recovery process. More details on the approach adopted to each of these areas is set out below.

9.1.16. In its final report, Deloitte LLP commented:

(a) United Utilities has identified the requirements to be met and developed the required submissions and supporting data tables.

(b) United Utilities has used a methodical approach and followed a defined governance and quality assurance framework and process. This has included the application of the 2020-25 Assurance Framework and the alignment of deliverables, on a risk basis, to the levels of required assurance. The approach and framework used is consistent with other United Utilities projects and assurance plans and thus represents an approach with which the United Utilities Board is already familiar, including the Board Assurance Statement.

(c) United Utilities has been tracking the progress of the submission documents from a project management perspective. We provided verbal updates on our emerging findings to the respective United Utilities teams as part of our assessment 'fieldwork'. During the period between drafting and finalising the assurance report, United Utilities has taken the immediate actions required prior to submitting the proposals to Ofwat.

(d) Across the four schemes to be submitted, United Utilities has structured its proposals to align with the criteria set out by Ofwat, CCW, DWI, the Environment Agency and Defra in their three letters dated 20 July 2020, 25 November 2020 and 12 January 2021. The proposals were found to be well-structured and clearly evidenced. In assessing the coverage of the proposals, the review found no significant omissions against the criteria.

9.2. Assurance process

1st line assurance: Developing and maintaining sound processes, systems and controls.

9.2.1. Accountability for first line assurance of each area of the programme, was assigned to the relevant work stream lead that owned and managed that area of the plan. Fundamental to this concept is that those responsible for delivery are ultimately responsible for assurance of that delivery.

2nd line assurance: Providing the enabling framework and governance for the development of the programme.

9.2.2. Second line assurance and approval of the plan was provided by business functions that oversee or specialise in risk management. Second line assurance was delivered independently of the work stream lead, and coordinated with the relevant lead. The second line also monitored and provided assurance on the quality and robustness of the submission. Additional second line assurance activity checks were completed by the corporate audit team.

3rd line assurance: Providing independent review and assurance of the plan.

9.2.3. We appointed a third party provider in order to undertake independent review of our submission. The main purpose of the independent assurance was to provide specialist and/or independent review and feedback to the; with this being used to provide the Executive and UUW Board with independent assurance and confidence in the quality of the submission, prior to sign off. Any issues addressed through this and actions arising were captured, reported on and addressed. A copy of the independent assurance report is available within GR0009a – Assurance appendix.

Application of the approach to the Green Recovery submission

9.2.4. As set out above, we established an assurance framework which has identified, measured and monitored the requirements needed to submit a high quality plan of work for our Green Recovery submission. This process included detailed scrutiny from senior management, first and second line risk and assurance teams, as well as independent experts with third line assurance performed by Deloitte LLP.

9.2.5. The framework sought to address:

(a) Whether UUW was delivering a fit-for-purpose programme;

(b) Whether UUW was accurately assessing the risk exposure against the regulatory requirements; and

(c) Whether UUW was developing a submission which would provide reliable, accurate and complete data, which can also be assessed as high quality against regulatory criteria.

9.2.6. Findings from Deloitte's final report, were provided to the UUW Board to support its decision to sign the Board Assurance Statement (GR0006).