

2019/20 Initial Year End landing position update

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Context

This paper summarises the projected changes to the year end landing totex value in the Q3 forecast along with the implications on constituency charging positions. Contract Managers are asked to: -

1. NOTE the additional deferrals of £1.7m we will be making into FY 2020/21.
2. NOTE the repurposing of £0.9m savings to fund work associated with Regulatory Energy Code (REC) review, the increased scope of PAFA/AUGE services and the additional Vodafone costs arising from the delay to IX rollout.

1) What are the expected changes to the Q3 forecast totex position?

- a. We are anticipating that totex outturn for the year will be £77.6m which is £2.6m lower than the Q3 totex forecast (£80.2m). The reasons for the lower outturn are:-
 - a. £1.1m deferred spend on Customer driven change, £1m being CSS related;
 - b. £0.6m deferred spend on Xoserve change projects such as IX rollout and Back Office automation; and
 - c. £0.9m lower spend in areas including consultancy, IS core and delays in recruiting to existing vacancies.

2) What are the charging implications?

- a. The variances described in paragraphs 1a(a) & 1a(b) are timing related so we will be deferring the income associated with these activities (£1.7m) into 2020/21.
- b. The £0.9m underspend highlighted in paragraph 1a(c) provides us with the opportunity to fund three essential activities, which given the timing of their identification, were not included in Business Plan 20.
 - a. Retail Energy Code (REC) implementation (£0.2m) – We need additional resources to help with the implementation of the REC for the leadership, programme management, initial (first phase) review/development and programme design work. This would enable Xoserve to stand up a project team to review the detailed impacts of REC implementation, including the required inputs, subject matter experts and the resourcing and workload implications.
 - b. AUGÉ / PAFA (£0.2m) – In anticipation of additional scope and new services (e.g. AUGÉ innovation) as requested by the industry in this area.
 - c. IX (£0.5m). Covid-19 has impacted the timetable for IX equipment installations with over 30 customers requesting their migration to the Gamma / Mavin equipment is deferred. Therefore, we need funds to cover up to six months of legacy arrangement charges through Vodafone.
- c. The £0.9m underspend has been funded by all constituencies using the communal percentages. We understand the AUGÉ / PAFA work is funded by Shippers only and will make an appropriate adjustment to 2020/21 charges reconciliation to recognise this.