**DSC CONTRACT MANAGEMENT COMMITTEE - 19 JUNE 2019**

Item 5.0 – Finance update - 2018/19 results

1. **Context**

This paper provides updates on our provisional totex result, operating profit and subsequent impacts on customer charges for the year ending 31st March 2019.

The committee are asked to NOTE its contents.

1. **Provisional Totex result**

Our provisional Totex recognised for the year ended 31st March 2019 was £59.4m compared to a Q3 Forecast of £63.2m and re-stated Budget of £63.7m. The difference was mainly due to slower than expected project spend of c£4m. Our operating profit, before exceptional items was broadly margin neutral, as expected.

As a result of a number of project end dates drifting into the next financial year, we have made provisions in our accounts to defer sufficient income collected for these investments into 2019/20 to cover any remaining costs through to completion.

Key projects where funds have been deferred include TransformUs, Gemini Re-platforming, Demand Estimation, RAASP and Central Switching Service – Consequential change.

1. **Customer Charges impact**

Whilst the full year totex actuals for 2018/19 year were c£4m lower than Q3 Forecast the vast extent of any variance is attributable to deferred project spend as described above. Therefore the rebated values as set out through the Q3 Forecast update process remain unchanged.

The initial view of additional charges / rebates proposed for each customer class at Q3 have been either added to or offset against 2019/20 invoice schedules as follows:-

* Shippers – Nil
* DNs - £311k rebate
* iGTs - £124k rebate
* Transmission - £500k rebate

Final audited figures for the year ended 31st March 2019 are expected to be contained in our annual report, due to be published by end of August 2019.

**Next Contract Management Committee Update:** Q1 19/20 Forecast - August 2019