



TOTSCo Bulletin No.83

Date: 27 February 2025

**Subject: TOTSCo Draft Budget for Financial Year 2025/26 - Request
for Feedback**

We present TOTSCo's draft budget for the financial year 2025/26 and invite comments from stakeholders. The TOTSCo board has approved the draft budget and will take account of feedback before agreeing a final budget.

Request for feedback

Please submit any comments on the draft budget, by **Friday, 14 March 2025**, to enquiries@totSCO.org.uk, quoting "budget" in the subject line.

All responses are non-confidential and will be published when we issue the response to this request for feedback.

TOTSCo
February 2025

TOTSCo Budget for Financial Year 2025/26

TOTSCo is a member-owned, not-for-profit company incorporated by the UK telecommunications industry to introduce switching processes. Our tasks and responsibilities include the provision of a message-exchanging platform (the TOTSCo Hub) and a range of tasks around its introduction, maintenance and appropriate enhancement.

Since TOTSCo's costs are funded by the industry, transparency in our finances is essential. We are committed to delivering value for money while ensuring a high-quality, always-on service that is critical to both industry and consumers.

TOTSCo plans to be self-funding over the medium term aligning its costs to income and making loan repayments to its initial funders.

The table below shows the budget for 2025/2026. For context, the table also shows:

- **The audited results for 2022/2023:**
This was a short year as TOTSCo was incorporated in June 2022 and the financial year ends in March 2023. Activity in this period was focused on the specification and supplier selection for the technical Hub solution.
- **The audited results for 2023/2024:**
This financial year saw an increase in the size of the TOTSCo team as we undertook intensive work with our technical partner on development and delivery of the technical solution, as well as onboarding customers and implementing the testing programme.
- **Projected results for 2024/25:**
This comprises of 10 months of actuals and 2 months of forecasted numbers. This financial year saw TOTSCo's team continue intensive work with our technical partner and with CPs to deliver the trials programme and the ramp-up to go-live on 12 September 2024. Full audited accounts for 2024/25 will be released in time for the Annual General Meeting held later in the year.
- **Budget for 2025/26:**
This financial year sees TOTSCo reduce its programme team as we transition to a business-as-usual (BAU) model, while at the same time delivering a solution for Gaining Provider Led Business (GPLB) Switching.
- **Projected numbers for 2026/27:**
2026/27 is not a formal budget. However, we continually look several years forward to ensure that our pricing levels are consistent with repaying the loan by October 2027. We include this projection to illustrate our current view of our BAU cost structure.

	Audited	Audited	Actuals and forecasted*	Budget	Projected
	2022/23	2023/24	2024/25	2025/26	2026/27
Revenue	0	1,648,440	7,556,435	8,141,363	7,937,728
Cost of Sales	0	715,117	2,449,309	2,710,286	2,620,409
GROSS PROFIT	0	933,323	5,107,125	5,431,077	5,317,319
Staff costs	310,850	727,090	1,223,341	2,170,464	2,302,026
Contractor costs	337,565	2,272,073	1,951,458	581,230	115,200
Admin costs	466,001	329,875	330,346	675,948	520,948
TOTAL OPEX	1,114,416	3,329,038	3,505,145	3,427,642	2,938,174
EBITDA	(1,114,416)	(2,395,715)	1,601,981	2,003,435	2,379,145
Depreciation	1,410	6,941	281,492	510,634	510,634
EBIT	(1,115,826)	(2,402,656)	1,320,489	1,492,801	1,868,511
Interest	25,216	253,068	439,282	338,350	193,983
Profit/(loss) before Tax	(1,141,042)	(2,655,724)	881,206	1,154,451	1,674,528
Tax	0	0	0	0	0
Profit/(loss) after Tax	(1,141,042)	(2,655,724)	881,206	1,154,451	1,674,528
Accumulated profit/(loss)	(1,141,042)	(3,796,766)	(2,915,560)	(1,761,108)	(86,581)

*10 months actuals April 2024 - January 2025, plus 2 month's forecast February 2025 - March 2025.

The above includes proposed revenue and costs of our GPLB switching solution, which remain under review. These include:

	Audited	Audited	Actuals and forecasted*	Budget	Projected
	2022/23	2023/24	2024/25	2025/26	2026/27
GPLB Revenue	0	0	167,108	511,960	308,325
GPLB Cost of Sales	0	0	6,124	163,158	73,281
GPLB OPEX	0	0	160,984	348,802	235,044
GPLB Margin	0	0	0	0	0

The cost recovery model for our business switching solution has not yet been determined. It will include some recovery of common costs which, to be prudent, is not factored into the budget or projections.

2025/26 Budget Assumptions and Commentary

The budget represents the best estimate of revenues and costs for the financial period. The budget is based on available information from six months of live running combined with expectations for the future.

The budget accounts for the need to support customer service and change requests to the Hub and operations. A key factor influencing the 2025/26 budget is TOTSCo's transition to a staffed operating model for BAU activities.

TOTSCo's accounts and expenditure are reviewed monthly by the executive team and the Board. We prioritise cost reduction while ensuring that service quality and industry standards remain uncompromised. Cost control remains a key KPI, especially whilst we transition to BAU.

Business Switching: TOTSCo have revenue that covers the costs of developing, operating and supporting business switching. The budget includes staff costs of £349k and cost of sales of £163k; total costs £512k. The total revenue is £512k; no profit or loss is budgeted for 2025/26.

OTS Revenue: This is based on the current level of billing and the current price list (i.e., a usage fee of £0.28 per residential customer). It is important to note that the revenue collected from OTS residential switching is not being used to fund the development of the TOTSCo GPLB Switching solution.

Cost of sales: Cost of sales comprises direct costs related to the Hub licences and support. We entered into a five-year agreement with our technical partner for full-service package, including technical and business support.

Hub depreciation: Depreciation of the Hub started at OTS go-live in September 2024 and the Hub asset is depreciated over five years. The increased depreciation charge of £282k to £510k from 2024/25 to 2025/26 is predominantly because we are comparing 7 months depreciation against 12 months depreciation. We are not proposing any major functional changes.

Staffing: The structure of our workforce will change as we transition from a programme-based organisation to one focused on ongoing service delivery. The budget also reflects the increased staffing demands needed to deliver a business switching solution ahead of its go-live. During 2025/26, we will recruit permanent staff, reducing reliance on temporary and contract roles that currently support programme delivery.

To that end, we expect our headcount to drop to 15.2 FTE. The breakdown of budgeted headcount at the end of March 2026 is:

Board *INEDs:	3 people, 1.0 FTE
Management:	6 people, 4.0 FTE
Technology and Process:	3 people, 2.2 FTE
Delivery:	4 people, 4.0 FTE
<u>Customer Service:</u>	<u>4 people, 4.0 FTE</u>
TOTAL:	20 people 15.2 FTE

**INEDs – Independent Non-Executive Directors*

The tasks for the team include:

- Vendor services management
- Communications and engagement of all our stakeholders
- Monitoring of OTS process health indicators
- Change management (Hub, support services, industry process)
- Supporting activities (finance, HR, governance)

Admin costs: Increases from 2024/25 to 2025/26 are due to TOTSCo maturing. Notable drivers include recruitment costs as we transition to a BAU structure, additional penetration testing and ITIL maturity and compliance. Other administrative costs include outsourced services such as HR, audit & accounting and IT/website support.

2025/26 admin costs are higher than 2026/27 due to one-off recruitment costs as we hire permanent staff while transitioning the workforce to manage BAU.

Interest rate: The interest rate on the loan is variable and is based on the Bank of England's Sterling Overnight Index Average (SONIA). The budget assumes an interest rate of 7.1%, consistent with the current rate paid on the loan.

Loan repayment: TOTSCo is a member owned not-for-profit company. As of February 2025, TOTSCo has a loan balance of £5.8m which is due to be fully repaid in October 2027. Current forecasts show TOTSCo will repay the loan by October 2027.

TOTSCo Budget for Financial Year 2025/26 split by quarter

	Q1	Q2	Q3	Q4	Total
Revenue	2,019,658	2,040,007	2,032,765	2,048,932	8,141,363
Cost of Sales	654,979	685,102	685,102	685,102	2,710,286
GROSS PROFIT	1,364,680	1,354,905	1,347,663	1,363,830	5,431,077
Staff costs	474,611	552,507	567,840	575,506	2,170,464
Contractor costs	352,980	106,700	74,750	46,800	581,230
Admin costs	225,237	146,237	144,237	160,237	675,948
TOTAL OPEX	1,052,828	805,444	786,827	782,543	3,427,642
EBITDA	311,851	549,461	560,836	581,286	2,003,435
Depreciation	127,658	127,658	127,658	127,658	510,634
EBIT	184,193	421,803	433,178	453,628	1,492,801
Interest	96,717	89,617	81,333	70,683	338,350
Profit before Tax	87,476	332,186	351,844	382,944	1,154,451
Tax	0	0	0	0	0
Profit after Tax	87,476	332,186	351,844	382,944	1,154,451