



NATS (En Route) PLC iSIP24: CAPEX Independent Reviewer Report

26 September 2024

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An aerial photograph of an airport terminal and surrounding infrastructure, including runways, taxiways, and parking lots. The terminal is a large, curved building with a glass facade. The runways are paved and marked with white lines. The parking lots are filled with cars and some larger vehicles. The overall scene is a busy airport environment.

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Introduction

Introduction and Scope

ROLE OF THE INDEPENDENT REVIEWER

Egis has been commissioned as an Independent Reviewer (IR) by the CAA to, "assess NERL's performance from the perspective of what users of its services expect from meaningful engagement by NERL on its CAPEX plans". Appendix D CAPEX Engagement Incentive of CAP 2597b, sets out guidance for the assessment of NERL's performance in respect of their CAPEX engagement incentives as per Condition 10 of NERL's licence.

The IR will score NERL's engagement with stakeholders relating to its CAPEX programme made through:

- Published Service and Investment Plans (SIPs),
- Interim SIPs (iSIPs) published during the regulatory year/periods,
- Any other meetings, forums or other forms of engagement relating to the development of its CAPEX plan. Eg: the Technical Customer Advisory Board (TCAB) or other meetings or forums of similar purpose.

The IR will perform the exercise of review and scoring twice a year, i.e., after publication of the SIPs and iSIPs during the NR23 period.

In April 2024, the IR provided the 1st report reviewing NERL's SIP24 document. This is the 2nd report of the IR covering the review of NERL's iSIP24 document and their engagement in addressing stakeholder concerns since the April 2024 IR SIP report.

ASSESSMENT CRITERIA

NERL's quality of engagement on each of its CAPEX programmes/projects is assessed across these four assessment criteria:

- | | |
|---------------------------|--|
| (A) User Focus | (B) Optioneering |
| (C) Responsiveness | (D) Mitigating/Corrective Actions |

SCORING GUIDANCE

NERL's performance for each of its CAPEX programmes/projects will be scored against the above assessment criteria using a points-based scoring system on a scale of 1 to 4, where:

- | | |
|----------------------------------|-------------------------------|
| 1 = Poor | 2 = Below expectations |
| 3 = Baseline expectations | 4 = Excellent |

OVERALL CAPEX ENGAGEMENT SCORE

The average final score for each CAPEX programme/project is calculated using an average of the individual scores under each assessment criterion.

The calculation of the overall CAPEX engagement score takes the average programme/project scores and subsequently weights them according to their forecast CAPEX spend.

The CAA is responsible for making the final decision on NERL's performance, considering the findings of the IR report and representations from stakeholders (including NERL) in forming their assessment.

Scoring Criteria

Scoring guidance is provided in CAP 2597b, repeated in the Annex, and summarised below.

USER FOCUS

Includes timeliness of information, traceability and proportionality. NERL should provide information to users, the IR and the CAA:

- a. In forms, and through mechanisms, that reflect user priorities and resource constraints and that are clear and accessible;
- b. In a timely manner, including through providing early warning and explanation of factors that may put planned delivery timelines at risk;
- c. That enables specific elements of projects or programmes that have moved between programmes (such as the scope, costs, delivery timescales and benefits accruing from those changes, and any impacts on OPEX) to be traced from one consultation to another; and
- d. The level of substantiation NERL provides should reflect the materiality of the change under consideration.

OPTIONEERING

NERL should seek to identify a range of different responses that might be adopted where practicable, explain the need for the programme and the outcomes and benefits it is seeking to deliver, and to provide opportunities for engagement and scrutiny of those options by users and the IR. In addition, NERL should be transparent about the OPEX impacts and delivery risks of different options presented.

RESPONSIVENESS

NERL should respond constructively, meaningfully and in a timely manner to submissions by users, the IR and the CAA, and explain clearly how it has considered and taken account of those submissions.

MITIGATING & CORRECTIVE ACTIONS

NERL's engagement with its customers should include appropriate mitigating and/or corrective actions in the light of submissions by users, the IR and the CAA, and it should communicate those actions to stakeholders in a timely manner.



Overall Findings and Scoring

Overall CAPEX Engagement Assessment (1/3)

CRITERIA	OVERARCHING IR OPINION
User Focus	<ol style="list-style-type: none">1. The iSIP24 document is an overall improvement over SIP24. NERL's overall approach and priorities are clearer, throughout the iSIP24 document.2. The greater use of milestone referencing in the Investment Overview section [pg13 and pg14], aids the users in following the programme/project cross-references across different sections of the iSIP24 document.3. The proportionality of the document's content is acceptable with explanations provided when and where necessary. However, explanations in the case of programme/project delivery delays and/or reversals (reversions) [pg13] remain inadequately justified.4. There is greater consistency in the structure and presentation of content in the iSIP24 document, with reduced repetition of information in comparison to the SIP24 document.5. There is a noticeable change in the linguistic style of the iSIP24 document, which is now more consistent across the document. The use of plain English across iSIP24 makes it easier for the users to comprehend the technical content.6. Explanation of the RAG status via a "status key" [pg28] is a positive step, though the description of each criteria remains subjective in nature. It is unclear if the RAG status for the LTIP Dashboard [pg29] reflects "optimism bias" NERL has identified [pg3].7. The use of "Target Risk Status" [pg32, 38, 48] in the benefits tables is not consistent across all programmes/projects (only present for Sustainment & Surveillance, DP En Route & Voice and Information Solutions). Further, the use of Target Risk Status in addition to the use of LTIP Dashboard RAG status [pg29] and individual project RAG status is confusing to the user.8. When discussing the narratives around programmes/projects the impact of the delivery (non-delivery) on stakeholders is not always covered. This is of particular concern when the implications of delays is not always clearly substantiated.9. The risks identified in the "Portfolio Risks" section [pg19] are carried forward from SIP24 with no or little change. The risk descriptions provided under the individual programme/project sections are at times largely generic [pg39, 49, 52, 54, 56, 57].

Note: References on this slide and the following slides state the referenced document "iSIP24" followed by the [page number]

Overall CAPEX Engagement Assessment (2/3)

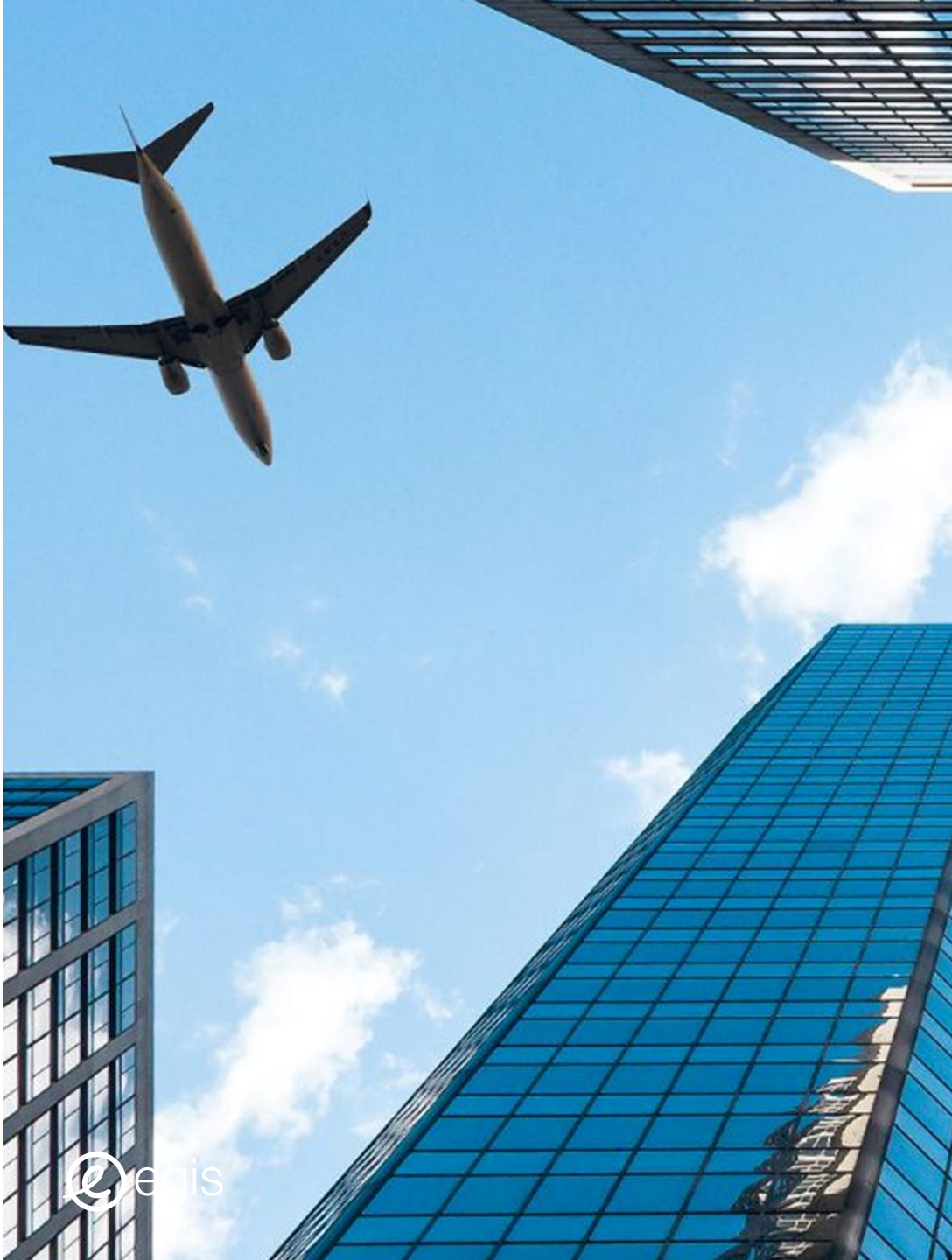
CRITERIA	OVERARCHING IR OPINION
User Focus (cont.)	<ol style="list-style-type: none"> 10. Stakeholders are concerned about the introduction of En Route Automation Modernisation (ERAM), as this represents a significant change, and was not explicitly communicated at the last consultation where NERL briefed stakeholders on the need to sustain and evolve the NAS system. In iSIP24 the decision to adopt ERAM appears to have been already taken (pg15). NERL plans to brief customers in the Autumn on ERAM as a NAS sustainment solution. 11. There is greater consistency in the presentation of "Benefits" information across the individual programme/project sections in comparison to SIP24. However, there is some lack of translation of these programme/project benefits into realisable, tangible benefits to stakeholders. 12. The "Project Updates" under the individual programme/project sections are an addition to iSIP24. These sections provide information on the project level costs, benefits, risks, and RAG status for projects forecasting to deliver milestones within 2 years (CY24 & 25)" [pg29]. These sections are a welcome addition; providing project level information in a concise format.
Optioneering	<ol style="list-style-type: none"> 1. NERL has decided to integrate ERAM to replace NAS, NERL still aims to deploy ITEC to replace NAS in the long-term [pg15]. Concerns have been raised by stakeholders over the degree to which other FDP replacement options have been considered, and the timeliness of engagement with stakeholders given the significance of this change [evidence pack]. 2. NERL has demonstrated optioneering [pg44] around the redeployment of AMAN Headbranch (A21) following its reversion out of operational service. Three options were assessed for the resequencing of AMAN Headbranch (A21, Heathrow TBS Pairwise (A4) and Gatwick TBS AMM (A7) [pg14], with each option accounting for delivery dependencies between these milestones. 3. NERL is exploring investment options to address areas of non-compliance relating to Assimilated Regulation (EU) 1207/2011 (ACID IR) [pg27]. 4. iSIP24 mentions the development of a 'new controller workstation for the oceanic service' (O3) has moved to Q4-26, at the behest of NAV CANADA as there is no other realistic option to consider [pg13]. Similarly, there is no further optioneering available for Oceanic Clearance Removal (O1) which NATS, NAV CANADA and ANI target to be operational in Q4-24 (this was delayed due to NAV CANADA facing systems issues) [pg56].

Overall CAPEX Engagement Assessment (3/3)

CRITERIA	OVERARCHING IR OPINION
Responsiveness	<ol style="list-style-type: none"> 1. A draft of iSIP24 was published on 28 May 2024 for Customer Consultation, which was followed up by a consultation meeting on 4 June 2024. The response rate for the consultation meeting was 14 attendee's v/s 190 invitees [pg4]. Stakeholders have requested additional time to review documents prior to consultations with NERL. 2. NERL has actively encouraged engagement and sought feedback from their stakeholders. In the feedback stakeholders have requested "more interactive workshops" in addition to continuing the hybrid mode of consultations [evidence pack]. 3. NERL appears to have produced a full response to all three stakeholder letters/inputs included in the consultation pack from British Airways, Ryanair and Easyjet [evidence pack]. 4. NERL has provided appropriate responses to previous IR comments on SIP24. 5. NERL has now provided a point of contact in iSIP24 [pg4].
Mitigating & Corrective Actions	<ol style="list-style-type: none"> 1. iSIP24 contains an acknowledgement of the existence of "an optimism bias in planning and delivery compared to NERL's overall capacity to deliver" [pg3]. This is positive evidence of NERL being transparent about the findings of their internal Portfolio Review. However, the reflection of any resultant mitigating/corrective actions from these findings in programme/project planning and delivery is unclear. 2. NERL inadvertently misreported a provisional decision of £638m as the NR23 Baseline in SIP24. This has now been rectified in iSIP24, including changes to labour rates (driven by assumptions for inflation/pensions) and additional CAPEX for the business IT system, hence resetting the NR23 baseline to £633m [pg17]. 3. There is a lack of transparency relating to risk monitoring and risk management as there have been subsequent delays without updating risk descriptions [pg39, 49, 52, 54, 56, 57]. There is limited detail to the description of corrective actions mentioned for mitigating the risks identified in the Portfolio Risk section [pg19].

iSIP24 CAPEX Engagement Score

Programme	CAPEX value (weight)	User Focus	Optioneering	Responsiveness	Mitigating & corrective actions	Overall score
Sustainment & Surveillance	£231m	3	-	3	-	3.00
DP En Route & Voice	£186m	2.75	-	-	-	2.75
Airspace & Operations Enhancements	£80m	3	3	3	-	3.00
Information Solutions	£56m	2.75	-	3	-	2.88
Common platform	£31m	2	-	3	3	2.67
Property & Facilities Management	£19m	2.5	1	2.5	3	2.25
Oceanic	£24m	2.5	-	3	-	2.75
ATC Training Transformation	£8m	3	-	2.5	2.5	2.67
CAPEX ENGAGEMENT SCORE						2.86



Individual Programme Assessment

Sustainment & Surveillance (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] shows that the Sustainment and Surveillance programme remains at amber status. Forecast spend has increased to £233m (£231m in SIP24) which is over the NR23 Baseline (CAA FD) figure of £231m. The number of milestones on track for CY24 and CY 25 has changed from two out of eight (SIP24) to three out of six in iSIP24.

Description

- This section continues to recognise the complexity and importance of NERL's interdependent services and sub-systems as being an essential part of the UK's critical national infrastructure.
- A clarification of the IR's comment relating to the inclusion of the FPRSA sub-system failure is provided. It is further clarified that the FPRSA rectification activity did not cause any subsequent impact on NERL's planned delivery activities [pg32].

Benefits

- The benefits are now tabulated under the headings 'Environment' and 'Resilience' across the programme deliverables.
- There is mention of a new set of measures under development which will include a range of lagging and leading indicators of risk and service performance.
- The new metrics of "Points of Risk Score Reduction" and "Target Risk Status" have been introduced [pg32].

Milestones

- The milestone T16 is noted to have slipped multiple times from Q3 2023 in NR23 Baseline (SIP23) to Q3 24 in 2024 Baseline (SIP24) to the current forecast completion of Q2 2024 [pg33].
- 4 milestones: T13, T3, T1 and T14 have been reported as completed in iSIP24.

Sustainment & Surveillance (2/2)

IR opinion

User focus

1. Benefits are now presented in a tabulated format with a good level of detail. However, how these benefits translate into actual tangible benefits is not immediately clear in all cases.

Optioneering

2. NERL had previously briefed and consulted with customers on the planning of surveillance transformation, this has now progressed with the completion of a competitive tender and negotiation process for long-range radar replacements.
3. Beyond this, NERL had limited opportunities to demonstrate optioneering for this programme in iSIP24.

Responsiveness

4. NERL has responded to the IR's comments relating to the inclusion the FPRSA sub-system, providing an explanation for the inclusion of the events of 28 Aug 2023.

Mitigating & corrective actions

5. NERL had limited opportunities to demonstrate mitigating & corrective actions for this programme in iSIP24.

DP En Route & Voice (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] shows that the DP En Route & Voice programme remains at Red status. Forecast spend has increased to £196m (£186 in SIP24) and is over the NR23 Baseline (CAA FD) figure of £186m. The number of milestones on track for CY24 and CY25 remains the same between iSIP24 and SIP24 with one out of three milestones complete.

Description

- The section continues to highlight NERL's commitment to "replacing ageing infrastructure (systems) and providing new technology to meet the needs of customers and wider industry stakeholders". The new technologies will bring "greater consistency, flexibility and resilience to meet future capacity and enable efficiencies".
- The programme delivery approach continues to be broken down into smaller independent streams: Stream 1, Stream 2 Stream 3 and Stream 4. A new "Stream X" has been added for "future programme plans" [pg37].

Benefits

- The benefits section reiterates the need to invest in new technology to replace ageing obsolete infrastructure.
- The benefits are now tabulated under the headings 'Resilience', 'Safety' and 'Environment' across the programme streams, with only Stream 1 being displaying benefits.
- A new benefit metrics of "Target Risk Status" have been introduced [pg38].

Milestones

- The deployment of D6 SVS FOS has delivered significantly increased functionality and flexibility over the current backup system, enabling access to multiple air-ground frequencies per workstation, and introducing a ground-ground capability. The MoD, for the first time now has a backup voice communications facility.
- The delivery for D2 PCUA FOS had a forecast delivery of Q4 2025 in SIP24, the delivery timeline is now reported as TBC in iSIP24.
- The delivery timescale of D8 is anticipated to be later than forecasted due to supply chain challenges. The deployment of D8 and D5 are flagged to "move later than indicated" due to the impact of adjustments to DP En Route programme and FDP sustainment needs.

DP En Route & Voice (2/2)

IR opinion

User focus

1. For Stream 2 (D7), Stream 3 (D6) and Stream 4 (D8), the current presentation of the benefits in the table [pg38] could be interpreted that these streams deliver no user benefits beyond resilience risk, which in some respects contradicts the programme benefits description [pg37].
2. Clear and well-justified explanation is provided for the delay in delivering Stream 1 Prestwick Centre Upper Airspace (PCUA) Full Operational Service (FOS) (D2), however a revised forecasted completion timeline is awaited.
3. There is a lack of detail in the risk assessment section for this programme, given that this is one of the most critical programmes with potential delays owing to the interdependent nature of the different streams.

Optioneering

4. The delivery for D2 PCUA FOS is reported as TBC in iSIP24, a revised milestone forecast is to be shared once an assessment is complete.

Responsiveness

5. NERL had limited opportunities to demonstrate responsiveness for this programme in SIP24.

Mitigating & corrective actions

6. NERL had limited opportunities to demonstrate mitigating & corrective actions for this programme in SIP24.

Airspace & Operations Enhancements (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] shows that the Airspace & Operations Enhancements programme remains at Amber status. Forecast spend has reduced to £75m (£80m in SIP24), below the NR23 Baseline (CAA FD) figure of £80m. The number of milestones on track for CY24 and CY25 has changed from four out of eight (SIP24) to five out of seven in iSIP24.

Description

- This section highlights the importance of the programme and its projects in delivering the UK's overall Airspace Modernisation Strategy, maintaining the capability of handling increased traffic growth and supporting net zero targets by delivering Cross-Border Free Route Airspace enhancing traffic flows across the UK's high-level sectors.
- The sub-portfolio of projects aims to meet customer priorities of increased network capacity, enhanced safety, improved environmental performance and reduced fuel burn.

Benefits

- Benefits are presented in a table with the quantified benefits across Safety, Service and Environment presented per deliverable.

Risks

- The risks of public misunderstandings owing to planned future airspace change proposals being highly complex are identified and mitigated through collaboration with FASI sponsors and ACOG.
- As a result of the CAP1616 airspace change process interdependencies with other sponsors, there is a risk that deployments are delayed or do not receive approval. These are identified as being outside of NERL's control.

Milestones

- AMAN Headbranch (A21) was delivered in April 2024 but was reverted in May 2024 due to unforeseen system observations and issues [pg44]. It is now forecast to be delivered following the delivery of milestones A4 (Q4 2024) and A7 (Q1 2025).

Airspace & Operations Enhancements (2/2)

IR opinion

User focus

1. Explanatory text at the beginning of the benefits section was missing, making the structure of this programme inconsistent with the structure of other programme sections.
2. It is unclear why there are no delivery timelines provided for the re-deployment of the AMAN Headbranch (A21).
3. iSIP24 states "Longer-term airspace plans have been updated to reflect more realistic start dates for future projects in line with delivery capacity", it is not explicitly clear which milestone start dates have been revised and if the delivery (end dates) of these milestones have been subsequently reviewed.

Optioneering

4. In SIP24 there was mention of an opportunity to explore earlier delivery of XMAN HMI, however, iSIP24 states the costs of faster delivery would have been comparatively more expensive.
5. Three recovery options [pg44] were considered for the re-deployment of the AMAN Headbranch (A21). Options 1 and 2 were assessed as having a significant impact on milestones A4 and A7, hence Option 3 was the preferred choice protecting key benefit deliveries and customer commitments.

Responsiveness

6. NERL has responded to the IR's clarification relating to the comparability of NR23 OSEP with deployments in RP3 [pg44].
7. NERL has responded to the IR's question regarding the time duration between Gatwick TBS AMM (A7) and Gatwick TBS OMM (A11) [pg45].

Mitigating & corrective actions

8. NERL had limited opportunities to demonstrate mitigating & corrective actions for this programme in SIP24.

Information Solutions (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] shows that the Information Solutions programme remains at Amber status. Forecast spend has increased to £43m (£39m in SIP24) and is below the NR23 Baseline (CAA FD) figure of £56m. The number of milestones on track for CY24 and CY 25 has changed from zero out of two (SIP24) to one out of two in iSIP24.

Description

- This section captures the importance of NERL's IT solutions in ensuring business resilience through non-operational information systems in the delivery of services. It emphasises a cloud-first approach to enabling its workforce to work from various locations and thereby demands for office space [pg48].

Benefits

- The benefits presented in iSIP24 "remain as stated in SIP23", the same was previously mentioned in SIP24 [pg30]. New metrics of "Points of Risk Score Reduction" and "Target Risk Status" have been included under resilience benefits along with strategic benefits that are also mentioned.

Risks

- NERL continues to manage risks related to significant cyber events/threats by maintaining close links with the National Cyber Security Centre and resourcing risks are managed by balancing resource demand at the portfolio level utilising internal governance priorities and agreements with specialists and recruitment consultants.
- The deployment of IS2 has been marginally delayed to avoid unnecessary risks associated with introducing the STAR replacement during periods of peak traffic.

Milestones

- The number of milestones has increased to three, with the milestone of IS3 which was completed in July 2023 now included in iSIP24.
- The delivery of previously reported milestones of IS1 and IS2 remains pending. The delivery of milestone IS2 is deferred to Q4 2024 due to "risks associated with remaining defect resolution and acceptance materialising" and further defects, identified before the FAT, now requiring more supplier effort to resolve.

Information Solutions (2/2)

IR opinion

User focus

1. Only a single milestone IS1 has benefits listed across both resilience and strategic benefits. Milestones IS2 and IS3 do not have any benefits listed under resilience. The strategic benefits listed do come across as 'generic' providing limited detail [pg48].

Optioneering

2. NERL had limited opportunities to demonstrate optioneering for this programme in iSIP24.

Responsiveness

3. NERL has responded to the IR's question relating to the lack of milestones beyond the 2-year horizon. It is understood that milestones other than IS1 and IS2 will be added and reported as a 'tracked milestone' when they are identified [pg49].

Mitigating & corrective actions

4. NERL had limited opportunities to demonstrate mitigating & corrective actions for this programme in SIP24.

Common Platform (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] does not report any RAG status for the Common Platform programme. Forecast spend is £31m (£31m in SIP24) and is on par with the NR23 Baseline (CAA FD) figure of £31m. There are no milestones reported as part of this programme.

Description

- This section expresses NERL's confidence in SESAR concepts implemented through the iTEC Flight Data Processor (FDP), as the "right solution for the overall transformation of our upper and lower operations" [pg51].
- NERL intend to transition lower operations onto iTEC SkyNex in NR28, subject to "finding a suitable deployment window, minimising impact on customers", followed by the transition of upper operations from the earlier (DP En Route) version of iTEC onto the strategic iTEC product.
- The current FDP/NAS, is responsible for processing and disseminating all flight data to controllers, flow management and time-based separation tools; requires replacement prior to the deployment of iTEC SkyNex.
- Introduction of the strategic iTEC product will allow NERL to retire the current NAS for lower operations, until the strategic iTEC SkyNex product is ready during NR28 the current FDP will continue to be maintained.
- In parallel, NERL is working with suppliers on a proof of concept for evolving and increasing the resilience of the current FDP service.

Benefits

- The benefits have been described to include cost efficiencies, greater service resilience, reduced workload, and improved safety and service, apart from environmental benefits enabled through trajectory-based operations across UK airspace.

Risks

- Risks relating to ensuring sufficient ATC resourcing are highlighted as being crucial to ensure NATS's active participation and influence in the collaboration along with the need to balance service delivery with operational demands is carried forward from SIP24. But these are not explained in extensive detail.

Milestones:

- There are no strategic milestones currently presented for this programme. However, the development of an appropriate delivery vehicle is recognised, and "options, benefits and milestones" are said to be shared with customers in October/November and in SIP25.

Common Platform (2/2)

IR opinion

User focus

1. In iSIP24 NERL has stated that the Common Platform programme is “not a live capital programme”, however given CAPEX is being spent on this programme, milestones and RAG status should be reported which is currently not the case.
2. Previously SIP24 and now iSIP24 state NERL, “continually seek opportunities to accelerate the deployment of the common platform sub-portfolio should NERL’s delivery capacity allow” [pg51]. Given the Common Platform is critical to the rest of the CAPEX programme, detail on the progress made in exploring such acceleration opportunities is missing.
3. It is unclear if a “suitable deployment window” for transitioning lower operations onto iTEC SkyNex product during NR28 is being tracked as a potential risk, as this is planned as a precedent to the transitioning upper operations, with delays on lower operation transition impacting the delivery of upper operation transition.
4. The service improvement, workload reduction and environmental benefits described have not been quantified as in other programme sections. Provision of numerical figures and/or ranges would aid users in understanding the benefits of the programme and the consequences of delayed/non-delivery.
5. As with SIP24, in iSIP24 the description of the risk section of the programme is short and lacks a detailed definition of the roles and responsibilities of collaboration partners and the implications of non or delayed delivery.

Optioneering

6. NERL mentioned they are “continually seeking opportunities to accelerate the deployment of the common platform sub-portfolio should their delivery capacity allow.” However, no opportunities to demonstrate optioneering for this programme have been included in iSIP24.

Responsiveness

7. NERL has responded to the IR’s comments on the lack of description of milestones in SIP24, by recognising the need to develop an appropriate delivery vehicle and going on to mention that “options, benefits and milestones” will be shared with customers in October/November and in SIP25 [pg51].

Mitigating & corrective actions

8. NERL has recognised the need for greater transparency and say they “will identify appropriate milestones to track progress” [pg51]

Property & Facilities Management (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] shows that the Property & Facilities Management programme changed to Green status. Forecast spend has increased to £38m (£27m in SIP24) and is already over the NR23 Baseline (CAA FD) figure of £19m. The pending milestone in SIP24 is now reported as completed in iSIP24

Description

- Much of the content between iSIP24 and SIP24 remains the same, with iSIP24 providing further details relating to the rationale behind choosing to install Solar Panels over the purchase of “green electricity” and preferring installation by facilities management partner over an external third-party installer.
- NERL continue with the ‘right-sizing’ of their estate following the adoption of agile working practices and upgrade/replacement of accommodation, security, logistics and catering systems at Swanwick and Prestwick.
- Cost efficiencies are expected to be around “50% below benchmark efficiency costs”, and will be realised through the “sub-letting of space and physical reduction of space where possible” [pg53].

Benefits

- The environmental benefits of installing solar panels are estimated to generate 7m kWh of renewable energy per annum equivalent to 1.7 kT of carbon savings.
- For customers, NERL estimate this to translate into an OPEX savings of around £1.4m annually when all solar panel installations are completed.

Risks

- Frictions in global supply chains are identified as challenges to procurement, increased costs and elongated timescales [pg54].

Milestones

- Milestone P1 Atlantic House replacement has completed supplier evaluation and selected a principal contractor, the full construction contract will be awarded on the finalisation of the design of a smaller, more environmentally friendly and efficient building.
- Solar panel installation on the roof of the Swanwick Centre was completed, approval for ground installation of Solar Panels at Swanwick has been approved. Prestwick installations are scheduled to start in Q4 2024.

Property & Facilities Management (2/2)

IR opinion

User focus

1. The benefits to NERL's customers are clearly quantified, e.g. "7m kWh of renewable energy per annum equivalent to 1.7 kT of carbon" and "OPEX savings when complete in the region of £1.4m annually". The translation of energy savings into OPEX savings ensures the size of the benefits can be more easily interpreted by stakeholders [pg53].
2. NERL is forecasting a significant overspend against the baseline: £8m on solar panels and £3m resulting from detailed and accurate estimates of costs for Atlantic House including an addition of a training facility (disclosed in Draft iSIP24). The Final iSIP24 contains a further upward adjustment of £8m in the forecast for changes required to meet essential safety and security requirements, office efficiencies and improvements to incident response facilities. These would benefit from further justification.
3. While more specific risks are provided in the project updates, the risk section of this programme remains generic with limited detail on how specific risks have matured and evolved since the last SIP update.

Optioneering

4. NERL has not demonstrated that optioneering has been undertaken. Given that forecast programme costs have doubled compared to the NR23 baseline (CAA FD), NERL could have engaged with customers before the options were decided upon.

Responsiveness

5. NERL has responded to the IR's comment on, "the benefits of the programme to NERL's customers not being explained" by clearly translating environmental benefits into customer benefits [pg53].

Mitigating & corrective actions

6. As described above, NERL has taken a corrective action considering the IR's comment in SIP24 by translating environmental benefits into customer benefits.

Oceanic (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] shows that the Oceanic programme changing to Red status. Forecast spend remains at £24m (£24 in SIP24) and is on par with the NR23 Baseline (CAA FD) figure of £24m. The number of milestones on track for CY24 and CY25 has gone back to zero out of two in iSIP24 from having reported both milestones as complete in SIP24.

Description

- The general description of the content between iSIP24 and SIP24 remains the same, with the investments in the oceanic programme, “focused on transforming information infrastructure for the North Atlantic service with strategic partners NAV Canada and Aireon” in alignment with the delivery of ICAO NAT 2030 Vision [pg55].

Benefits

- Includes the continued ability to enable safe and resilient service in Oceanic operations, while delivering service improvements and cost efficiencies.
- Milestones O1 and O6 are reported to have resilience and compliance (with ICAO NAT 2030 Vision) benefits. No other milestones O2, O3, O4, or O5 have any benefits reported.

Risks

- Risks associated with resourcing challenges remain for this programme in iSIP24 [pg56].

Milestones

- The Removal of Oceanic Clearance (O1) milestone has moved forward two quarters to Q4 2024 due to system issues at NAV Canada.
- Deployment of the new controller workstation (O3) has been advised by NERL's to no earlier than Q4 2026.
- Milestone O4 MECS upgrade has been rephased to NR28 due to NAV Canada requiring more time to evaluate options to sustain their current Oceanic systems and evaluate new options for their Oceanic platform (FDP modernisation O5).

Oceanic (2/2)

IR opinion

User focus

1. Though benefits are now tabulated in line with the structure of other programme sections, there seem to be fewer benefits reported in iSIP24 compared to SIP24 which contained a qualitative description of benefits categorised into safety, resilience, service improvements, compliance and cost-efficiency.
2. The delivery of the MECS upgrade (O4) is said to be rephased into NR28 due to more time required on NAV Canada's part to evaluate their options. It is not clear if the CAPEX Costs associated with this deliverable (O4) have been deducted from NR23 and moved into NR28.
3. The continued inclusion of risks relating to resourcing in iSIP24 is concerning. It would be helpful to understand when this may be resolved.

Optioneering

4. NERL has limited opportunities to demonstrate optioneering for this programme in iSIP24 as much of it seems to be contingent on consensus with partner NAV Canada and AirNav Ireland (ANI).

Responsiveness

5. NERL along with their partners NAV Canada and ANI responded to customer requests for an "aligned deployment date for Oceanic Clearance Removal (OCR)" to avoid a split in operational procedures [pg56].

Mitigating & corrective actions

6. NERL had limited opportunities to demonstrate mitigating & corrective actions for this programme in iSIP24.

ATC Training Transformation (1/2)

SIP24 contents

LTIP dashboard

- The LTIP dashboard [pg29] does not report any RAG status for the ATC Training Transformation programme. Forecast spend is on par with the NR23 Baseline (CAA FD) figure of £8m. There are no milestones reported as part of this programme.

Description

- The general description of the programme in iSIP24 is carried forward from SIP24. Emphasis is placed on ensuring sufficient ATCOs are present in the resourcing pipeline through continuously improved and innovative training approaches to meet the demand for new controllers and better place them to meet changes in traffic volumes [pg57].
- No capital implementation projects are currently reported in this, NERL intends to have “set out the CAPEX scope by SIP25” [pg57] for this programme.
- NERL has introduced an apprentice scheme to enhance their attraction as an employer. The programme will “consider” providing training at a co-located Training Academy on-site or using a digital platform where subject matter resources (ATCOs) will support rating, conversion, and extension training.

Benefits

- Primary benefits are increased predictability and scalability of ATCO training through enhanced synthetic training capabilities, reducing training time and resource (subject matter experts) required.
- Mention of the introduction of the apprentice scheme and the Training Academy are included in the benefits section.

Risks

- There are currently “no major programme risks identified that are related to the use of CAPEX” for this programme and resource availability remains a low risk for current activity [pg57].

Milestones

- There are no strategic milestones presented for this programme.

ATC Training Transformation (2/2)

IR opinion

User focus

1. The introduction of the apprentice scheme and the training academy, are included in the benefits section. It is not inherently clear as to how these are benefits of the programme nor how they translate into benefits for NERL's customers.

Optioneering

2. NERL had limited opportunities to demonstrate optioneering for this programme in iSIP24.

Responsiveness

3. NERL have responded to IR's comment that a "lack of milestones means there is a lack of transparency of programme progress and completion timescales" by stating that, "once the CAPEX scope for the programme has been set, CAPEX programme reporting mechanisms will begin" [pg57]. NERL expect to update customers by SIP25.

Mitigating & corrective actions

4. NERL have responded IR's comment on SIP24 by providing some more overall information about this programme



Annex: Scoring Guidance

Scoring Guidance (1/3)

	POOR (1)	BELOW EXPECTATIONS (2)	BASELINE EXPECTATIONS (3)	EXCELLENT (4)
USER FOCUS	<p>Some delay in providing information to at least some stakeholders, limited early warning of factors that may affect delivery.</p> <p>Unclear, inaccessible or perfunctory provision of information on the CAPEX proposed (and other details, including where practicable what is proposed, cost, delivery timescales and benefits, and any impacts on OPEX) with limited regard for user priorities and resource constraints.</p> <p>Limited additional information provided for material changes to the CAPEX plan and unclear on traceability of changes back to previous plans.</p>	<p>Information provided in a timely but not proactive manner to some/all stakeholders, reasonable early warning of factors that may affect delivery.</p> <p>Reasonably clear, accessible and meaningful information provided on the CAPEX proposed (and other details, including where practicable what is proposed, cost, delivery timescales and benefits, and any impacts on OPEX) with reasonable regard for user priorities and resource constraints.</p> <p>The level of substantiation provided reasonably reflects the materiality of the change under consideration but does not allow users systematically to trace changes to the plan to previous plans.</p>	<p>Information provided to all stakeholders proactively and promptly, early warning and (where relevant) explanation of factors that may affect delivery.</p> <p>Clear, accessible and meaningful information on the CAPEX proposed, including where practicable what is proposed, cost, delivery timescales and benefits, and any impacts on OPEX, with good regard for user priorities and resource constraints.</p> <p>Comprehensive substantiation for all material changes to the CAPEX plan under consideration, including clear traceability of all material changes from previous plans.</p>	<p>Information provided to all stakeholders proactively and promptly, excellent quality early warning and (where relevant) explanation of factors that may affect delivery.</p> <p>Extremely clear, accessible and meaningful information on the CAPEX proposed, including where practicable what is proposed, cost, delivery timescales and benefits, and any impacts on OPEX, with excellent consideration of user priorities and resource constraints.</p> <p>Excellent substantiation for all material changes to the CAPEX plan under consideration and comprehensive traceability of all changes from previous plans.</p>

Scoring Guidance (2/3)

	POOR (1)	BELOW EXPECTATIONS (2)	BASELINE EXPECTATIONS (3)	EXCELLENT (4)
OPTIONEERING	<p>Poor information on the overall approach to optioneering adopted (including the need for the programme or the outcomes and benefits that NERL is seeking to deliver).</p> <p>Limited information on alternative options presented (including limited discussion of costs, risks, timing, how benefits would be delivered, OPEX interactions, delivery risks and service quality), limited opportunity for meaningful scrutiny of relative merits of different options by users and IR.</p>	<p>Limited information on the overall approach to optioneering adopted (including the need for the programme or the outcomes and benefits that NERL is seeking to deliver).</p> <p>A range of different options identified where possible (including costs, risks, timing, how benefits would be delivered and explicit consideration of OPEX interactions, delivery risks and service quality), reasonable opportunities for meaningful user and IR engagement and scrutiny.</p>	<p>Good information on the overall approach to optioneering adopted (including the need for the programme and the outcomes and benefits that NERL is seeking to deliver).</p> <p>Good information provided on a range of alternative options where possible (including costs, risks, timing, how benefits would be delivered and explicit consideration of OPEX interactions, delivery risks and service quality), good opportunities for meaningful user and IR engagement and scrutiny.</p>	<p>Excellent information on the overall approach to optioneering adopted (including the need for the programme and the outcomes and benefits that NERL is seeking to deliver).</p> <p>Excellent information provided on alternative options where possible (including costs, risks, timing, how benefits would be delivered and explicit consideration of OPEX interactions, delivery risks and service quality), extensive opportunities for meaningful user and IR engagement and scrutiny.</p>

Scoring Guidance (3/3)

	POOR (1)	BELOW EXPECTATIONS (2)	BASELINE EXPECTATIONS (3)	EXCELLENT (4)
RESPONSIVENESS	<p>Perfunctory response to at least some user and IR submissions, insufficiently clear or untimely explanation how these submissions have been accounted for.</p>	<p>Generally constructive response to user and IR submissions, reasonably clear and timely explanation to some/all stakeholders of how these submissions have been accounted for.</p>	<p>Engaged and constructive response to user and IR submissions, clear and timely explanation to all stakeholders of how these submissions have been meaningfully accounted for.</p>	<p>Engaged and highly constructive response to user and IR submissions, very clear and timely evidence to all stakeholders that submissions have been meaningfully accounted for after substantial consideration.</p>
MITIGATING AND CORRECTIVE ACTIONS	<p>Limited evidence of mitigating and/or corrective actions, where appropriate, following user and IR submissions. Actions not communicated to at least some stakeholders in a timely manner.</p>	<p>In most cases reasonable mitigating and/or corrective actions taken, where appropriate, following user and IR submissions. Actions communicated to some/all stakeholders in a timely manner.</p>	<p>In almost all cases appropriate mitigating and/or corrective actions taken promptly, where appropriate, following user and IR submissions. Actions clearly explained to all stakeholders in a timely manner.</p>	<p>In all cases appropriate mitigating and/or corrective actions taken promptly and proactively, where appropriate, following user and IR submissions. Actions very clearly explained to all stakeholders in a timely manner.</p>



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