Consumer engagement plan and budget

2022
Contents

1. Governance ........................................ 3
2. Strategic direction to 2025 ....................... 5
3. PMF objectives for 2022 ......................... 9
4. Implications for activity in the 2022 campaign 11
5. Budget 2022 ....................................... 18
1. Governance

1.1 The Smart Energy GB Board
The structure of the Smart Energy GB Board is set out in the Standard Conditions of Electricity & Gas Supply, Electricity Distribution and Gas Transporter Licences (“the supplier licences”). The Board is chaired by Mark Lund OBE and its membership at 1st December 2021 is:

Chair:
- Mark Lund

Representing the interests of energy suppliers:
- Martin Aylward
- Daren Carter
- Pam Conway
- Steven Day
- Jill Dougan
- Fiona Mayo

Representing the interests of energy consumers:
- Steve Crabb
- Maxine Frerk
- Chris MacLeod
- Ann McKechnie

Chief Executive:
- Dan Brooke

The Smart Energy GB Board is pleased to publish its Consumer engagement plan and budget 2022. This document details the organisation’s objectives, its strategic approach and detailed activities for 2022 and the associated budget. It has been developed in consultation with energy suppliers and other stakeholders.
1.2 The Performance Management Framework (PMF)

The PMF is a document which stipulates the performance metrics and targets that provide the direction to Smart Energy GB’s activities. The performance of Smart Energy GB’s activities is evaluated against those metrics and targets. As such, the PMF is an important document for the Board, BEIS, Ofgem, suppliers and all other stakeholders, to understand both Smart Energy GB’s direction and the basis for evaluating its performance.

The Board is responsible for producing and maintaining the PMF. Performance Management Framework (‘PMF’) advisory sub-committees (domestic and non-domestic) exist to advise and support the Board in its responsibility to produce and maintain the PMF and is chaired by a board member representing the interests of energy suppliers. All relevant suppliers are invited and encouraged to attend PMF sub-committees. Small suppliers, too, are encouraged to contribute.
2. Strategic direction to 2025

2.1 The long term strategy to maximise installations by 2025

The Board has developed its long term plan to 2025. This has included reviewing material assumptions underlying activity and also reviewing installation projections to 2025. The Board would like to take the opportunity to thank all those that contributed to its development. One specific output of this work was the forecast installations projections. A summary of installations is provided below. For the first time, they include targets for energy suppliers, set by BEIS, for the period 2022–2023.

Market penetration forecasts (2021-25) against actuals (2020-present)

![Graph showing market penetration forecasts and actuals]

- Frontier/Energy UK forecast (dom+non-dom)
- Electralink actuals (dom+microbusiness, elec only)
- BEIS tolerance (domestic)
- BEIS tolerance targets (non-dom)
- Dectech baseline projection (dom+non-dom)

Consumer engagement plan and budget 2022 5
The Board is focused on supporting suppliers to meet their installation targets. Run rates will continue to be monitored against targets and forecasts. A key assumption that the Board is working to is that a status quo phase will continue for the immediate future with further market-wide policy stimulus levers only being introduced from 2024 at the earliest.

Smart Energy GB’s future will therefore broadly fit into two phases – before and after the introduction of market-wide policy stimulus levers. Smart Energy GB’s responsibilities will shift as it moves between phases, with the introduction of supplementary responsibilities, should further levers be introduced.

<table>
<thead>
<tr>
<th>PHASE 1: No new market-wide levers</th>
<th>PHASE 2: New market-wide levers introduced</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Installs</strong></td>
<td></td>
</tr>
<tr>
<td>To promote smart meter uptake through the promotion of national and personal benefits (and targeted myth busting)</td>
<td>Also to promote the introduction of any new policy lever, as relevant</td>
</tr>
<tr>
<td><strong>Usage</strong></td>
<td></td>
</tr>
<tr>
<td>To promote energy management using a smart meter</td>
<td>Also to promote engagement among those starting their journey, inc those who may have joined as a result of any new policy lever</td>
</tr>
<tr>
<td><strong>CIVCs</strong></td>
<td></td>
</tr>
<tr>
<td>To ensure CIVCs are not disproportionately non-adopters</td>
<td>Also to ensure CIVCs are not disproportionately disadvantaged as a result of the introduction of any new lever</td>
</tr>
<tr>
<td><strong>Rollout reputation</strong></td>
<td></td>
</tr>
<tr>
<td>To manage the reputation of the rollout</td>
<td>Also to respond to any additional reputational developments that levers may bring, inc from external media</td>
</tr>
<tr>
<td><strong>Voice</strong></td>
<td></td>
</tr>
<tr>
<td>To provide an ‘independent, consumer champion’ voice (Smart Energy GB/partner-led role)</td>
<td>Also to promote any new policy levers to those who would benefit most from them</td>
</tr>
</tbody>
</table>
2.2 Planning assumptions

In 2021, the work on the long term plan included stakeholder consultation on what the key planning assumptions should be for Smart Energy GB. This consultation involved key stakeholders such as BEIS and Citizens Advice.

Key outcomes of the consultation which framed the planning assumptions for 2022 include:

1. Reflecting the level of consumer demand, vaccination levels, and the likelihood that installations will continue to be allowed should further lockdowns occur, it is assumed that Covid-19 will not be a significant limiting factor to the rollout in 2022.

2. For 2022 it is expected that the rollout will remain without the introduction of any new market-wide policy stimulus levers to drive installations further.

3. In light of the rollout remaining without any new market-wide policy stimulus levers in 2022, the consultation respondents agreed that Smart Energy GB activity should support the pool of Seekers/Acceptors available for conversion to bookings, meaning:
   a. Within the domestic market Smart Energy GB activity should focus on engaging with those currently Indifferent or Rejecters of smart meters to be more favourable towards getting one
   b. More actively converting Seekers/Acceptors into bookings and installations
   c. Within the microbusiness market this means that Smart Energy GB activity should focus on building awareness of smart meters for businesses and that awareness growth translates to favourability towards getting one

4. In 2022 Customers in Vulnerable Circumstances (CIVCs) should continue to be engaged at scale, using macro characteristics which encompass a wide range of circumstances.

5. Assets to help customers achieve usage behaviour change in line with the Cost Benefit Analysis assumptions should be made available to customers seeking them, and be expanded beyond the IHD as more products and services utilising smart meter data come to market.

These assumptions provide the basis of planning activity and setting targets for 2022 (see next page)
2.3 Monitoring performance

Keeping an accurate and up to date view of performance will be part of the monitoring approach over the two phases. The Board has agreed a set of core metrics to evaluate the performance of Smart Energy GB’s consumer-facing activities that drive installations, summarised in the cone below.

- **Campaign diagnostics:**
  - Grabs attention (XX%) + Enjoyable (XX%) + Relevance (XX%)
  - Comparator levels: grabs attention 56%, enjoyable 50%, relevance 50%
  - Source: NST, non-smart pop.

- **Campaign recall:**
  - XX%
  - Comparator level 47%
  - Source: NST, non-smart pop.

- **Campaign top prompted message**: (XX%) Guideline level 45%
  - Campaign top spontaneous message: (XXX%) Guideline level 33%

- **Economic Modelling KPI Stack**
  - Weekly percentage of adults who, when asked about energy products, technologies, or services which help manage household energy consumption, mention smart meter as their first response.
  - Source: NST

- **Weekly index volume of Google searches for enquiries and positive information searches for phrases such as “I want a smart meter”, “book a smart meter installation”, “British Gas smart meter”**
  - Source: Google trends

- **Weekly volume of first-time installations of domestic, electricity smart meters**
  - Source: Electralink

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*NB Seek/Accept is an alternative middle funnel metric to enquiries used as a PMF KPI. It is not incorporated into modelling due to lack of historic trend and sampling volatility on the weekly tracker. Enquiries is only available as an index so not suitable for broader organisational target setting or use as a PMF KPI

*Only top prompted message is shown as position in ranking is a key determinate of strength of takeout alongside absolute level of endorsement*
3. PMF objectives for 2022

The PMF sub committees (both domestic and non–domestic) have given Smart Energy GB a clear articulation of the metrics and targets of the Performance Management Framework. The objectives and metrics for 2022 are detailed below.

### Domestic PMF metrics for Smart Energy GB in 2022

<table>
<thead>
<tr>
<th>Metric</th>
<th>End-H2 2021 Baseline</th>
<th>Target</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Seek/Accept</strong> – The % of the non-smart GB adult population who state that they would seek or accept a smart meter in the next six months</td>
<td>Established by Outlook, Nov ‘21 (NB. Latest indicator as at May ’21= 42%)</td>
<td>Monitor – Maintain a sufficient pool for installations, taking into account conversion levels and BEIS targets</td>
<td>41%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Rejection</strong> – The % of people in the non-smart GB adult population who state that they would reject a smart meter if offered in the next 6 months</td>
<td>Established by Outlook, conducted in Nov ’21 (NB. May ’21= 36%= 5.6m hhlds)</td>
<td>Reduce absolute numbers</td>
<td>4.8m hhlds</td>
<td>4.3m hhlds</td>
</tr>
<tr>
<td><strong>Conversion</strong> – The proportion of previously non-smart GB adults reporting as 'got/due/ tried to get' a smart meter in following six months</td>
<td>Established by Re-contact study, in Nov ’21 (NB. pre-covid baseline= 23%, May ’21= 27%)</td>
<td>Reach/Improve on pre-Covid baseline in H2</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Installations</strong> – Rolling weekly run rate of smart meter installations (using Electricity meters as household proxy)</td>
<td>To be established by Electralink electricity meter installs using Q4 2021 avg</td>
<td>Monitor</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Message takeout</strong> – Though not a metric, analysis of message takeout compared to the intended takeout for the audience segment(s) being targeted will be shared</td>
<td>Comparison made compared to National Smart Tracker comparator levels.</td>
<td>Monitor. Expected levels will vary according to target audience, channel and nature of message, but as a guide the total audience campaign level guideline for top message = 45% (prompted) and 33% (spontaneous)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Consumer engagement plan and budget 2022

#### Metric | End-H2 2021 Baseline | Target
--- | --- | ---
**Usage** – Smart population who have smart functionality reporting “I actively manage how I use energy around my home”<br>Established by Outlook, conducted in Nov ’21 (NB. May ’21 = 42%) | Maintain or improve | min 53% ***
**Usage** – Smart population who have smart functionality reporting “great deal/fair amount of difference” for “What difference, if any, has having a smart meter made to how you use energy at home?”<br>Established by Outlook, conducted in Nov ’21 (NB. May ’21 = 42%) | Maintain or improve | min 42% ***

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**Non-Domestic PMF metrics for Smart Energy GB in 2022**

PMF Metrics for Smart Energy GB in 2022, monitoring within premise-based microbusinesses where possible

#### Metric | End-H2 2021 Baseline | Target
--- | --- | ---
**Awareness** – Amongst premise-based microbusinesses, awareness that smart meters are available to businesses<br>Established by Microbusiness tracker, conducted in Nov ’21 (NB. Jul ’21 = 74%) | Increase | H2= 78%*

**Seek/Accept** – The % of premise-based microbusinesses who state that they would seek or accept a smart meter in the next six months<br>Established by Microbusiness tracker, conducted in Nov ’21 (NB. Jul ’21 = 27%) | Increase | H2= 30%*

**Installations** – Rolling weekly run rate of smart meter installations (using Electricity meters as business proxy)<br>Established by Electralink electricity meter installs using Q4 2021 average | Monitor | ""

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* Assumes that end H2 2021 benchmark is as per end H1 2021 results.

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* Assumes end H2 2021 benchmark is 41%, non smart hhld pop is 14.7m, and conversion results for 2022 are as per above targets.
* Assumes that end H2 2021 benchmark is 5.3m, non smart hhld pop is 14.7m.
* Assumes that end H2 2021 benchmark is as per end H1 2021 results.
4. Implications for activity in the 2022 campaign

4.1 The focus on installations in 2022

The broad context for 2022 is that the rollout will be more challenging. There are stretching supplier installation targets starting in January. Suppliers have converted their lowest hanging fruit and Rejecters are an increasing percentage of the uninstalled base. Furthermore, there are no new product developments and no new policy stimulus levers, which limit ‘new news’. Bearing in mind that Smart Energy GB budgets were squeezed hard for efficiency in 2021, the focus in 2022 needs to be about driving even greater effectiveness.

Our approach for 2022 is to do this by driving harder through the funnel. There will be five key strands to it, covering the range of Smart Energy GB’s duties as an organisation:

1. Shifting Rejecters/Indifferents to Seek/Accept
2. Converting Seekers/Acceptors to bookings/installations
3. Ensuring CIVCs Seek/Accept are not left behind
4. Driving awareness among microbusinesses
5. Inspiring and nudging usage behaviour

Although there is a challenging context, Smart Energy GB has established a strong platform for sustained improved effectiveness. We can see evidence of this through positive rising tides along a wide range of Smart Energy GB key performance indicators:

- while early days still, Einstein is assessed via econometrics to be comfortingly Smart Energy GB’s most effective and most efficient campaign ever
- there was a significant swing in attitudes in 2021, with Seek/Accept increasing by 4 percentage points (ppts) and reject decreasing by 4ppt, among GB adults
- there have also been significant swings in some macro-CIVCs groups, eg pre-pay had 9ppt uplift in Seek/Accept and 9ppt decrease in reject, private renters had a 8ppt uplift in Seek/Accept and 6ppt fall in reject, and low income had an 8ppt uplift in Seek/Accept and 7ppt fall in reject
- there has also been a very positive rise in awareness among microbusiness owners (12ppt growth)
4.2 Smart Energy GB delivery

4.2.1 Shift Rejecters & Indifferents into Seek/Accept

Smart Energy GB will aim to shift Rejecters and Indifferents up the scale into Seek/Accept by doing the following:

- developing the campaign to unlock segments to convert Rejecters throughout 2022
- expanding always–on rejecter digital messaging, by segment (subject to test and learn results), utilising learnings from test and learn with a high volume of dynamic creatives, aimed at specific rejecter segments
- using more targeted media, to reach more defined groups with the most relevant messages. This will lead to a gradual, audience–led, shift of media investment from broad channels to more targeted media. Given the large remaining audience of c.25m GB adults, broad reach channels will remain (though expected to reduce) an essential and efficient component of the channel mix for 2022, but with increased targeting within broadcast to over–index with priority segments, specifically Rejecters. (NB econometrics corroborates media planning tools: there remains headroom in TV, for example, but we are at the current limit of the efficiency curve for use of digital media.)
- actively managing the PR and stakeholder environments with ‘always–on’ proactive and reactive PR, adjusting for potential rise in negative PR and being alive to the possible introduction of further policy stimulus levers, down the line. The team will contribute to the discussion on further policy stimulus levers and continue the policy and Public Affairs work on engaging politicians and the wider stakeholder landscape
- taking forward all relevant learnings from the Derby Pilot into business as usual comms activity in 2022 and beyond
4.2.2. Convert Seekers/Acceptors into bookings/installs

Smart Energy GB will aim to increase the percentage of Seekers/Accepts that are converted into bookings and installations. The main areas of focus behind that goal will be:

i. Test and learn from mid-funnel conversion activity using Einstein such as:

- direct response advertising that drives consumers to the Smart Energy GB website and then out to supplier sites for bookings
- changing our website privacy settings so we can share the resulting traffic data with suppliers
- making full media plans available for suppliers to sequence activity where possible
- exploring other ways to drive conversion, involving different degrees of data share between Smart Energy GB and suppliers e.g. potentially sharing social media audience profiles

ii. Take forward the Derby pilot learnings into 2022 activity:

The 2021 Pilot tested numerous interventions combining localised communications and close sequencing with suppliers. The aspiration is that the most successful interventions are scaled up and replicated either nationally or within “hotspots” where installation levels are low. The Local Pilot evaluation is due in early 2022.

Until we know what’s worked, plans for 2022 are highly speculative, but we anticipate some interventions will be rolled out as part of the national BAU plan at no additional cost. In addition, we expect focused activity in at least one more local area, determined by a combination of need and anticipated value for money, in consultation with BEIS and suppliers on collective ambition.

iii. Use the Co-ordination Forum to identify further opportunities:

Launched in 2021, Smart Energy GB will continue to chair the Co-ordination Forum of suppliers in 2022, with the agendas focused on enhancement to rollout delivery through Smart Energy GB and supplier co-ordinated activity.
4.2.3. Narrow CIVCs Seek/Accept under-indexing versus GB average

There has been good progress in 2021 to improve attitudes and adoptions amongst CIVC audiences. We hope to continue this progress in 2022 by targeting the four macro-characteristics below:

- **65+ (c12m people):** Activity weighted towards offline engagement, with partnerships the lead channel to reach audience of over 12m. PR and media partnerships used to amplify and extend campaign

- **Low income (c9.2m people):** 82% of these are online. The energy management pillar of the Einstein campaign will target the low income audience, with partnerships providing trust and reach at scale to both online and offline groups

- **Prepay (c7m people):** targeted through core domestic campaign and dedicated PR campaigns

- **Carers (c26% of GB pop):** Carers have a high level of influence over CIVCs on their energy choices & behaviours. Build on 2021 activities with digital being a core component, supported by partnerships and PR.

In addition to the four above, renters significantly under-index for ownership (~9% vs GB avg), yet over-index for Seek/Accept (+10% vs GB avg). So, less a challenge for marketing communications, and instead for Policy support/PR/Public Affairs aimed at landlords and letting agents, to unlock barriers to uptake.
Across our CIVCs activity, Smart Energy GB plans to test new routes to optimise effectiveness, including:

- 65+ replaces ‘offline’ as a macro-characteristic: whilst ‘offline’ audiences are behind on Seek/Accept and more likely to be Rejecters, they have shrunk in size (12% to 6% of the GB pop), as a result of upskilling through the pandemic. Smart Energy GB will prioritise offline channels to reach 65+ to ensure offline audiences are not left behind.
- Increase national partnerships: we’ll increase the ratio of investment in national partners to regional partners from 50:50 to 60:40, looking for new opportunities to give scale and efficiency.
- Young messenger project: partner feedback suggests using teenagers is particularly effective as a route to engage those with a lack of proficiency in English, as children are often influential in household decisions. Smart Energy GB will run a test to explore if it can engage young people to influence relevant CIVC groups.
4.3.4. Drive awareness amongst microbusinesses
2022 brings a challenging target from BEIS, moving from 49% to 56% installations by year end 2022. The required year on year increase in market penetration is c.50% bigger for 2022 than that required for 2021 (6.4% for 2022 vs 4.2% for 2021). It may also become more challenging to reach unaware microbusiness owners, as Smart Energy GB will be talking to a smaller pool of unaware who are harder to reach.

Despite the challenges, we are confident there is still a significant opportunity, building on progress in 2021. Specifically, that opportunity is to target the 26% ‘unaware’ that smart meters are available for businesses.

Smart Energy GB will continue the successful leveraging of the domestic campaign and we recommend increasing the investment with a stretch budget of +21%, (i.e. +£350k YoY) to increase awareness. This allows for two Einstein media bursts to be funded in a single year, to drive awareness and consideration.

In addition, we will continue PR and Public Affairs activity to keep normalising and extending the message.

4.3.5. Inspire and nudge usage behaviour
Digital advertising and content will support both installation day, and months after. The primary objective of which is to inspire and educate by presenting the benefits of regularly checking the in–home display (IHD) to understand what’s driving energy consumption and how to manage it.

Collateral is under discussion with suppliers, where we focus on nudging ‘energy detective’ behaviour on a regular basis through in–home prompts

Usage messaging will continue to be integrated into traditional PR and paid media partnerships activity.

Our budgeted investment in dedicated usage collateral will remain consistent with 2021, with only creative optimisations required, so less production spend, the savings from which will allow a greater volume of activity.
4.4 Flexibility

As we have through the last 20 months, we will maintain a flexible mindset in 2022, both to respond to our campaign insight but also to respond to an ever-changing market context (including the recent gas price rise), as well as any further developments in the public health environment.

With such a changeable environment for the rollout, it will continue to be key to have engaged and informed cross-industry consultation. Therefore, key consultation and information-sharing will continue with:

- Smart Energy GB Board
- PMF subcommittee
- Marketing and communications groups
- SMDG and SMIP discussions
- Smart Energy GB and supplier bilaterals
- Citizens Advice

Key data and information sources will also be continued:

- Covid-19 and smart meter tracking
- Smart Energy GB campaign tracking
- Supplier data on installation bookings and capacity
5. Budget 2022

The total 2022 budget of £38.3m is made up of a domestic budget of £36.3m and a non-domestic budget of £2.0m.

Alongside the focus on driving effectiveness through the funnel, there are budget efficiencies of c£1m, allowing further maximisation of consumer-facing spend with other opportunities still being pursued.

Office costs c£600k
Arising from office move

PR c£300k
Budget reduced but maintaining 2021 levels of activity

Insight c£200k
Arising from savings from consolidating monthly tracker analysis

Digital c£130k
Efficiencies in maintaining our corporate website plus SEO savings arising from insourcing

Media buy c£100k
Direct consumer-facing investment

Agency transition costs c£200k
To cover overlap costs if we move creative agency

Marketing Partnerships c£100k
To support our CIVCs activity

Staff costs c£325k
To cover insourcing and inflationary increases

Bad debt increase c£180k
To cover the heightened risks of suppliers not paying invoices

Depreciation £140k
Arising from office move
We will continually look to identify further efficiencies which will include,

- creative agency team and processes to increase specialist support and efficiency for the conversion task
- the 2021 media pitch will lead us to new tools and more effective ways of targeting our segments. We also anticipate a more transparent media buying process and a payment model which moves to majority, if not 100%, fee rather than commission
- creative agency pitch staring in early 2022
- procurement processes ensure competitive tendering
- ongoing review by management and Audit committee

We will also seek to ensure our consumer-facing spend is working hard. To this end, we will review performance closely and regularly. First key review point will be March 2022, with end of year reporting available, alongside end of year econometrics and reports from some test & learn activities.

**The risk of bad debt**

There is currently a significant financial stress on the energy sector. A number of suppliers have recently gone into administration. When they do, any outstanding debt becomes almost certainly irrecoverable i.e. it becomes ‘bad debt.’ As a result, the management team and the Board have reviewed and restricted Q4 capital costs to create an underspend that provides cover for this eventuality. The result has been to create a bad debt reserve of c£500k which will be held on the balance sheet into 2022.

In addition, to maintain a prudent approach, we are increasing the bad debt provision in the 2022 budget by £180k.

Previously the risk was deemed to be purely amongst smaller suppliers so the bad debt provision was held within fixed operating costs (the only element of our budget funded by smaller suppliers). In the current climate, there is a risk that larger suppliers will go into administration leaving a hole in our capital costs budget too, so we are recommending the £180k sits within capital costs to cover the risk of our capital costs not being met by large suppliers.

The management team and board will review the situation throughout the year and if the risk materially changes, we will adjust our approach accordingly.
### 2022 Consolidated budget detail

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>BUDGET 2022</th>
<th>BUDGET 2021</th>
<th>VARIANCE £</th>
<th>VARIANCE %</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creative development</strong></td>
<td>456,254</td>
<td>2,133,494</td>
<td>256,254</td>
<td>281,254</td>
<td>3,127,256</td>
<td>3,150,000</td>
<td>22,744</td>
<td>1%</td>
<td>1</td>
</tr>
<tr>
<td>- one-off agency fees overlap</td>
<td>0</td>
<td>197,760</td>
<td>0</td>
<td>0</td>
<td>197,760</td>
<td>–</td>
<td>(197,760)</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td><strong>Digital production/website</strong></td>
<td>880,020</td>
<td>471,391</td>
<td>276,391</td>
<td>276,391</td>
<td>1,904,193</td>
<td>2,034,193</td>
<td>130,000</td>
<td>6%</td>
<td>3</td>
</tr>
<tr>
<td><strong>Media buy</strong></td>
<td>5,534,752</td>
<td>4,398,843</td>
<td>3,933,227</td>
<td>4,570,748</td>
<td>18,437,571</td>
<td>18,311,267</td>
<td>(126,304)</td>
<td>–1%</td>
<td>4</td>
</tr>
<tr>
<td><strong>Marketing Partnerships</strong></td>
<td>924,250</td>
<td>556,050</td>
<td>147,450</td>
<td>782,250</td>
<td>2,410,000</td>
<td>2,310,100</td>
<td>(99,900)</td>
<td>–4%</td>
<td>5</td>
</tr>
<tr>
<td><strong>Marketing subtotal</strong></td>
<td>7,795,276</td>
<td>7,757,538</td>
<td>4,613,322</td>
<td>5,910,643</td>
<td>26,076,780</td>
<td>25,805,560</td>
<td>(271,220)</td>
<td>–1%</td>
<td></td>
</tr>
<tr>
<td><strong>Public Affairs</strong></td>
<td>50,500</td>
<td>54,500</td>
<td>35,500</td>
<td>39,500</td>
<td>180,000</td>
<td>201,000</td>
<td>21,000</td>
<td>10%</td>
<td>6</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td>9,500</td>
<td>45,500</td>
<td>5,000</td>
<td>10,000</td>
<td>70,000</td>
<td>60,000</td>
<td>(10,000)</td>
<td>–17%</td>
<td>7</td>
</tr>
<tr>
<td><strong>PR</strong></td>
<td>721,628</td>
<td>394,768</td>
<td>594,128</td>
<td>718,546</td>
<td>2,429,070</td>
<td>2,713,284</td>
<td>284,214</td>
<td>10%</td>
<td>8</td>
</tr>
<tr>
<td><strong>Communications sub-total</strong></td>
<td>749,968</td>
<td>343,438</td>
<td>602,968</td>
<td>660,696</td>
<td>2,357,070</td>
<td>2,649,284</td>
<td>292,214</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td><strong>Insight and Strat Dev</strong></td>
<td>517,750</td>
<td>424,750</td>
<td>591,250</td>
<td>309,750</td>
<td>1,843,500</td>
<td>2,031,000</td>
<td>187,500</td>
<td>9%</td>
<td>9</td>
</tr>
<tr>
<td><strong>Capital costs bad debt reserve</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>180,000</td>
<td>180,000</td>
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<tr>
<td><strong>Staff costs (inc NI and pension)</strong></td>
<td>1,298,728</td>
<td>1,283,453</td>
<td>1,310,280</td>
<td>1,511,568</td>
<td>5,404,029</td>
<td>5,078,061</td>
<td>(325,968)</td>
<td>–6%</td>
<td>11</td>
</tr>
<tr>
<td><strong>Board costs</strong></td>
<td>18,315</td>
<td>18,315</td>
<td>18,315</td>
<td>18,315</td>
<td>73,260</td>
<td>–</td>
<td>(73,260)</td>
<td>–</td>
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</tr>
<tr>
<td><strong>Training &amp; development</strong></td>
<td>40,150</td>
<td>51,150</td>
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<td>165,907</td>
<td>(2,694)</td>
<td>–2%</td>
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</tr>
<tr>
<td><strong>Premises &amp; office running costs</strong></td>
<td>479,150</td>
<td>113,361</td>
<td>151,687</td>
<td>26,224</td>
<td>770,421</td>
<td>1,365,997</td>
<td>595,575</td>
<td>44%</td>
<td>14</td>
</tr>
<tr>
<td><strong>Travel &amp; subsistence</strong></td>
<td>31,500</td>
<td>31,500</td>
<td>31,500</td>
<td>44,000</td>
<td>138,500</td>
<td>106,800</td>
<td>(31,700)</td>
<td>–30%</td>
<td>15</td>
</tr>
<tr>
<td><strong>ICT</strong></td>
<td>204,621</td>
<td>45,051</td>
<td>45,134</td>
<td>39,489</td>
<td>334,294</td>
<td>354,596</td>
<td>20,302</td>
<td>6%</td>
<td>16</td>
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<tr>
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<td>104,127</td>
<td>104,127</td>
<td>284,627</td>
<td>597,008</td>
<td>406,968</td>
<td>(190,040)</td>
<td>–47%</td>
<td>17</td>
</tr>
<tr>
<td><strong>Microbusiness allocation</strong></td>
<td>(31,959)</td>
<td>(190,501)</td>
<td>(6,459)</td>
<td>(110,129)</td>
<td>(339,048)</td>
<td>(279,480)</td>
<td>59,568</td>
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## 2022 Domestic budget detail

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<th>Q4</th>
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<th>BUDGET 2021</th>
<th>VARIANCE £</th>
<th>VARIANCE %</th>
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<td>276,391</td>
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<td>2,090,100</td>
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<td>660,696</td>
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<td>2,649,284</td>
<td>292,214</td>
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<td>Insight and Strat Dev</td>
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<td>1,298,728</td>
<td>1,283,453</td>
<td>1,310,280</td>
<td>1,511,568</td>
<td>5,404,029</td>
<td>5,078,061</td>
<td>(325,968)</td>
<td>–6%</td>
<td>11</td>
</tr>
<tr>
<td>Board costs</td>
<td>18,315</td>
<td>18,315</td>
<td>18,315</td>
<td>18,315</td>
<td>73,260</td>
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<tr>
<td>Training &amp; development</td>
<td>40,150</td>
<td>51,150</td>
<td>37,150</td>
<td>40,150</td>
<td>168,600</td>
<td>165,907</td>
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<td>–2%</td>
<td>13</td>
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<tr>
<td>Premises &amp; office running costs</td>
<td>479,150</td>
<td>113,361</td>
<td>151,687</td>
<td>26,224</td>
<td>770,421</td>
<td>1,365,997</td>
<td>595,575</td>
<td>44%</td>
<td>14</td>
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<td>Travel &amp; subsistence</td>
<td>31,500</td>
<td>31,500</td>
<td>31,500</td>
<td>44,000</td>
<td>138,500</td>
<td>106,800</td>
<td>(31,700)</td>
<td>–30%</td>
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<td>ICT</td>
<td>204,621</td>
<td>45,051</td>
<td>45,134</td>
<td>39,489</td>
<td>334,294</td>
<td>354,596</td>
<td>20,302</td>
<td>6%</td>
<td>16</td>
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<tr>
<td>Other finance costs</td>
<td>104,127</td>
<td>104,127</td>
<td>104,127</td>
<td>284,627</td>
<td>597,008</td>
<td>406,968</td>
<td>(190,040)</td>
<td>–47%</td>
<td>17</td>
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<td>Microbusiness allocation</td>
<td>(31,959)</td>
<td>(190,501)</td>
<td>(6,459)</td>
<td>(110,129)</td>
<td>(339,048)</td>
<td>(279,480)</td>
<td>(59,568)</td>
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## 2022 Non Domestic budget detail

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<th>Q3</th>
<th>Q4</th>
<th><strong>BUDGET 2022</strong></th>
<th><strong>BUDGET 2021</strong></th>
<th><strong>VARIANCE £</strong></th>
<th><strong>VARIANCE %</strong></th>
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<td>PR</td>
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<td>27,660</td>
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<td>105,000</td>
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<tr>
<td>Overhead allocation</td>
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<td>6,459</td>
<td>110,129</td>
<td>339,048</td>
<td>279,480</td>
<td>(59,568)</td>
<td>(21%)</td>
<td>13</td>
</tr>
<tr>
<td>Fixed operating costs total</td>
<td>31,959</td>
<td>190,501</td>
<td>6,459</td>
<td>110,129</td>
<td>339,048</td>
<td>279,480</td>
<td>(59,568)</td>
<td>(21%)</td>
<td>14</td>
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<tr>
<td>Smart Energy GB total</td>
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<td>1,649,480</td>
<td>(351,568)</td>
<td>(21%)</td>
<td>15</td>
</tr>
</tbody>
</table>
Notes to the budget (covering domestic and non-domestic variances):

**Capital costs**

1. **Creative development:** this includes the creative agency fees and production costs. The forecast reduction is due to a reduction in support required going forward, placing a greater reliance on the internal team.
   
   In the microbusiness budget, there is an additional £50k to cover increase in usage fees.

2. **One-off agency fee:** we are going to market to pitch our creative agency in 2022. This is to make sure we have the best creative support at the best cost. There may be some overlap transition costs as one agency leaves and another is onboarded. If we remain with the incumbent agency these costs will not apply. If we don’t, we will seek to minimise these costs, with the budget allocation as a worst case.

3. **Digital:** includes development costs for assets to be deployed in digital/social channels as well as running costs for the Smart Energy GB website. The saving is due to reduced website maintenance costs and savings from insourcing SEO.

4. **Media Buy:** includes all above the line (ATL) media, media partnerships and agency fees/commission. The balance of investment between channels will be continually modified in light of insight on impact. Media buy includes a conservative provision (£750k) for investing in local engagement initiatives resulting from findings from the local pilot in Derby.

   In the microbusiness budget, the increase is to allow for a second wave of the campaign in Q4 covering activity in social, print and radio.

5. **Marketing Partnerships:** costs include funds passed directly to partner organisations (such as charities, community groups and brands) required for the planning, development and production of Marketing Partnerships. Please note, beyond the efficiencies in national partnerships and investment in CiVCs noted above, there has also been an increase in allocation from the partnership budget to the prepay campaign (within the media buy line).

6. **Public Affairs:** includes all costs relating to building knowledge and advocacy among politicians, businesses and stakeholders in England, Wales and Scotland, including agency support and tools necessary to manage public correspondence. The small reduction is due to assumed lower conference/event expenditure with online equivalents continuing plus a reallocation of Smart Energy GB policy events moving to the Policy budget below.

7. **Policy:** includes all costs relating to thought leadership work, including the generation of policy evidence and research, and subsequent events. The £10k increase is due to a reallocation of policy events from the Public Affairs budget.

8. **PR:** includes all costs relating to reactive news management and responsiveness, including agency support, media monitoring tools, and subscriptions as well as costs associated with deploying proactive consumer PR campaigns which includes agency support and fees, talent and advocate costs, research for proactive PR purposes, copywriting and illustrations, photography and AV/audio asset production. We plan to continue with a similar level of activity in 2022 as 2021 but believe we can make savings in this area.
9. **Insight and Strategic Development**: includes all costs and fees required to plan, commission, conduct and analyse research for consumer engagement insight, measurement and optimisation purposes and evaluation, as set out in this paper. The reduction is due to savings generated from the consolidation of monthly tracking insight to one agency.

10. **Capital costs bad debt reserve**: the energy sector has been under significant financial stress which has lead to a number of suppliers becoming insolvent and Smart Energy GB outstanding invoices going unpaid. This allocation is an additional contribution to cover the capital costs that go unpaid as a result of supplier insolvency. This is in addition to any funds set aside for this eventuality at the end of 2021.

### Fixed operating costs

11. **Staff costs**: includes all direct and indirect staff costs including salaries, national insurance, pension contributions, recruitment and some indirect staff benefits. Following a reduction in establishment headcount last year from 79 to 69, we are managing staff costs closely. The year on year increase is due to: insourcing of SEO/PPC activity (which allows for a reduction in media buy); a provision for an inflationary increase which is based on external insight of a forecast increase in the energy sector and the media sector; and for all other potential costs from a new role to a contingency for any unforeseen requirements.

12. **Board costs**: Remuneration for non-executive directors (NEDs) was introduced in 2021 (with no specific budget 2021).

13. **Training and development**: including the full training and development costs for the organisation including one-to-one training, group training and internal planning meetings. The £3k increase is a provision to cover the potential increase in staff numbers.

14. **Premises and office running costs**: includes the rent, rates and service charge for our three teams in London, Cardiff and Edinburgh. The associated running costs (from printing and postage to cleaning and general maintenance) are also included. The reduction is due to moving to smaller, better value offices in London in 2021.

15. **Travel and subsistence**: the travel costs and associated subsistence when our staff team have to travel away from their main place of work for activity for Smart Energy GB. The increase is due to an expected increase in travel in 2022 compared to 2021 which was affected by COVID. To note, we are forecasting to end 2021 significantly underspent on this budget line.

16. **ICT**: includes the IT support costs, infrastructure costs, licences (for software, storage and security) and network costs.

17. **Other finance costs**: includes the costs of our external audit fees and our outsourced bookkeeping fees, insurance and legal costs, tax, and a £90k provision for fixed operating costs bad debt. The increase is due to an increase in depreciation resulting for the costs of moving office (£140k) and an addition to the office contingency of £50k in light of moving to a new office to cover unforeseen costs.

18. **Microbusiness allocation**: this is an allocation to support the microbusiness campaign with overheads recharged in direct proportion to capital costs. This is a formula to ensure funders pay the same proportion of overheads.