

Finance Report Summary, Financial Year 2021/22

January 2022

Executive Summary

The management accounts for the end of January, as set out in the table below, shows Income is currently 0.2% higher than budget year to date. DP fee income in January is £158k ahead of budget year to date and on target to meet the full year budget. Grants / Other Income is made up of Grant in Aid (GiA) funding and the Regulatory Pioneers Funding (RPF). RPF Income is currently £80k below budget year to date, due to a timing variance linked to the phasing of expenditure which increases in Q4. The drawdown of this RPF income aligns to the expenditure profile and is on target for the full year budget. GiA funding is also on track YTD and for full year budget.

A detailed monthly forecast review took place in January to ensure that the remaining Income and Expenditure profiles, which were reset following a review at M9 remain realistic. Following this review the yearend surplus is now forecast to outturn at £2,657k underspent (3.8% of annual budget), this is an increase to the surplus forecast reported at M9 of £1,839k. The primary drivers of this change were in Staff Costs (£1,259k), Legal, Professional & Other (£115k) and Capital Spend (£150k).

Year to date we have spent 78% of our expenditure forecast at 83% of the way through the financial year meaning a significant increase in expenditure is needed in M11 and M12 to meet this expected forecast outturn. Taking into consideration the expenditure burn rate to date, it is likely that additional underspends will materialise during Q4 increasing the surplus currently reported.

MANAGEMENT REPORT								
For the Ten Months Ending 31 January 2022								
	Year To Date				Full Year	Full Year	Full Year	Prior Year
	Budget	Actual	Variance	Var %	Forecast	Forecast	Variance	Actual
	£000's	£000's	£000's	%	M9	M10	£000's	2020/21
					£000's	£000's		£000's
DP FEE INCOME	£49,208	£49,366	-£158	-0.3%	£62,680	£62,680	£	£53,205
GRANTS/OTHER INCOME	£6,539	£6,478	£61	0.9%	£7,946	£7,946	£	£6,391
TOTAL INCOME	£55,747	£55,844	-£97	-0.2%	£70,626	£70,626	£	£59,595
TOTAL OFFICE COSTS	£4,536	£4,339	£196	4.3%	£5,122	£5,072	£50	£2,662
TOTAL STAFF COSTS	£41,066	£40,473	£592	1.4%	£51,014	£49,755	£1,259	£43,093
TOTAL TRAINING AND RECRUITMENT	£1,149	£994	£155	13.5%	£1,301	£1,208	£93	£825
TOTAL IT COSTS	£3,762	£3,509	£253	6.7%	£4,500	£4,430	£70	£4,486
TOTAL PROJECT SPEND	£772	£838	-£65	-8.5%	£2,169	£2,138	£31	£1,230
TOTAL COMMUNICATIONS	£361	£178	£183	50.6%	£450	£370	£80	£280
TOTAL FINANCIAL COSTS	£138	£148	-£10	-7.1%	£184	£184	£	£231
TOTAL TRAVEL	£90	£84	£6	6.7%	£147	£156	-£9	£70
TOTAL LEGAL, PROFESSIONAL & OTHER	£3,525	£2,361	£1,164	33.0%	£4,400	£4,285	£115	£1,863
TOTAL COSTS	£55,400	£52,925	£2,475	4.5%	£69,287	£67,598	£1,689	£54,739
CAPITAL SPEND	£	£	£	0.0%	£521	£371	£150	£504
SURPLUS/ (DEFICIT)	£348	£2,919	-£2,572	-739.8%	£817	£2,657	-£1,839	£4,856

Income

Overall, Income has delivered ahead of target in January and remains ahead of forecast by £97k. This increase has been driven by increased recovery of the Regulatory Pioneers Fund in January, and with DP income remaining ahead of forecast year to date by £158k.

Proactive contact with organisations has helped to support the renewals and acquisitions metrics through the year. The year to date renewal rate was 90.5% at the end of January and at the end of the month the register has surpassed the 1m milestone with 1.067m organisations on the fee register, against a year-end target of 1.13m, although there was a slight reduction in January of 1,150. Cumulatively 239,995 new registrations were added this financial year by the end of January, against a target of 242,914.

The Grant in Aid income for the year covers income for Freedom of Information, NIS, eIDAS (electronic identification and trust services, Investigatory Act, Adequacy, and a contribution to pension funding. Grant in Aid funding is drawn down evenly throughout the year. In addition, we have been successful in a bid for additional funding of £369k from the BEIS led Regulators' Pioneer Fund – this funding has to be spent within this financial year and is being drawn down aligned to the expenditure profile it is funding.

DP Fee Income

The following shows the monthly forecast and the year to date actuals

Month	Forecast £	Actual £	Year to date forecast £	Year to date actual £	Variance £
April	3,789,086	4,716,571	3,789,086	4,716,571	927,485
May	5,180,096	4,659,857	8,969,182	9,376,428	407,246
June	4,804,415	5,071,242	13,773,597	14,447,670	674,073
July	4,828,908	5,051,163	18,602,505	19,498,833	896,328
August	4,727,303	4,632,096	23,329,808	24,130,929	801,121
September	4,865,002	5,024,344	28,194,810	29,155,273	960,463
September amended forecast/variance*	5,769,367	5,024,344	29,099,175	29,155,273	56,098
November	5,025,199	5,325,054	34,124,374	34,480,327	355,953
November amended forecast / variance	5,163,552	4,776,694	39,287,926	39,257,021	-30,905
December	3,987,939	4,182,601	43,275,865	43,439,622	163,757
January	5,932,250	5,926,813	49,208,115	49,366,435	158,320
February	6,378,406		55,586,521		
March	7,093,480		62,680,001		

Year to Date Expenditure

Year to date spending against budget is lower than expected within most budget lines with the exception of Project Spend and Financial Costs.

The year to date position shows an underspend against allocated budget totalling £2,475k (4.5%). Most of this underspend year to date is within Staff Costs, IT costs and Legal & Professional Services costs for which more information is detailed below:

Staff Costs

Year to date Staff costs are underspending by £592k. The underspend is a result of budget allocated for planned expansions which have not yet occurred due to difficulty in recruiting to certain specialised roles. The largest underspend is in Technology Policy and Innovation (£563k) with a large number of vacancies as yet unfilled or currently going through the onboarding process.

IT Costs

Year to date IT Costs are underspending by £253k, driven by underspends in applications support, cloud hosting and card processing charges.

Legal & Professional Services Costs

Year to date Legal and Professional Services costs are underspending by £1,164k, driven by underspends in professional services (£867k) and research (£219k).

Full Year Expenditure – M10 Forecast Review Outcome

A full forecast review took place in January to ensure that the budgets allocated remain realistic, albeit recognising that the timing of identifying these underspends makes it difficult to reallocate funding to other areas of priority this late in the financial year due to recruitment and procurement lead times. The outcome of the M10 Review is a reduction in full year budget expenditure of £1,839k from M9 forecast reported to the Board last month. The underspends are within:

- **Chief Operating Officer £958k underspend in total** - COO Directorate £359k underspend, General Counsel £78k underspend, Strategic Change and Transformation £521k underspend.
- **Chief Regulatory Officer total £774k underspend in total** – Chief Regulatory Officer £679k underspend, Regulatory Futures and Innovation £95k underspend.

- **Corporate Costs total £107k underspend in total**

The movements analysis at Executive Team level is outlined below:

Chief Operating Officer Directorate: (£359k movement from M9)

Chief Operating Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M9 £000's	F/Y FC M10 £000's	F/Y FC Movement £000's
TOTAL OFFICE COSTS	4,339	4,536	196	5,122	5,072	50
TOTAL STAFF COSTS	18,738	18,519	-219	23,253	23,017	236
TOTAL TRAINING AND RECRUITMENT	979	1,076	97	1,214	1,136	78
TOTAL IT COSTS	3,472	3,695	222	4,423	4,364	59
TOTAL PROJECT SPEND	123	104	-19	295	295	
TOTAL COMMUNICATIONS	149	216	67	252	192	60
TOTAL FINANCIAL COSTS	148	138	-10	184	184	
TOTAL TRAVEL	32	41	10	59	58	1
TOTAL LEGAL, PROFESSIONAL & OTHER	623	881	258	1,006	981	25
TOTAL Expenditure	28,603	29,206	603	35,809	35,300	509
TOTAL Capital					150	-150
Total Cost	28,603	29,206	603	35,809	35,450	359

The majority of the forecast movement within the COO Directorate is in relation to Staff Costs and Capital. This has been driven by:

- Slippage in vacancies being filled in Corporate Governance totalling £265k, these are not expected to be filled until the next financial year.
- A movement in Capital expenditure offset with the Strategic Change and Transformation Directorate for Edinburgh office fit out costs of £150k.

General Counsel Directorate: (£78k movement from M9)

General Council Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M9 £000's	F/Y FC M10 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	2,687	2,791	105	3,467	3,479	-12
TOTAL TRAINING AND RECRUITMENT	4	17	13	20	10	10
TOTAL TRAVEL	10	3	-7	5	15	-10
TOTAL LEGAL, PROFESSIONAL & OTHER	730	738	7	1,020	930	90
TOTAL Expenditure	3,431	3,549	118	4,512	4,434	78
TOTAL Capital						
Total Cost	3,431	3,549	118	4,512	4,434	78

The movement in forecast from M9 is a further reduction in Legal, Professional and Other expenditure.

Strategic Change and Transformation Directorate: (£521k movement from M9)

Strategic Change and Transformation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M9 £000's	F/Y FC M10 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	1,883	2,044	162	2,442	2,272	170
TOTAL TRAINING AND RECRUITMENT		20	20	26	26	
TOTAL PROJECT SPEND	715	638	-77	1,844	1,813	31
TOTAL COMMUNICATIONS		33	33	40	20	20
TOTAL TRAVEL		1	1	2	2	
TOTAL LEGAL, PROFESSIONAL & OTHER	58	90	32	170	170	
TOTAL Expenditure	2,656	2,827	171	4,524	4,302	221
TOTAL Capital				521	221	300
Total Cost	2,656	2,827	171	5,045	4,523	521

The Staff Cost forecast was reduced in month by £170k to reflect further slippage on recruitment to posts in both PMO and Knowledge services with new starters not likely to start until the new financial year.

Capital spend forecast has reduced by £300k, £150k is offset withing COO Directorate for Edinburgh office fit out costs and the remaining £150k as a result of some slippage on Maintaining the Public Register project with costs moving into next financial year.

Chief Regulatory Officer Directorate: (£679k movement from M9)

Chief Regulatory Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M9 £000's	F/Y FC M10 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	13,632	14,202	570	17,247	16,584	663
TOTAL TRAINING AND RECRUITMENT	9	15	6	15	10	5
TOTAL IT COSTS		10	10	12	1	11
TOTAL COMMUNICATIONS	4	4		8	8	
TOTAL TRAVEL	34	39	4	68	68	
TOTAL LEGAL, PROFESSIONAL & OTHER	172	646	474	663	663	
TOTAL Expenditure	13,851	14,916	1,065	18,013	17,334	679
TOTAL Capital						
Total Cost	13,851	14,916	1,065	18,013	17,334	679

The Staff Costs movement in month reflects the expectation that many of the remaining vacancies in investigations, economics and assurance will not be filled until the new financial year.

Regulatory Futures and Innovation Directorate: (£95k movement from M9)

Regulatory Futures and Innovation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M9 £000's	F/Y FC M10 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	2,864	3,515	650	3,834	3,739	95
TOTAL TRAINING AND RECRUITMENT	2	22	20	26	26	
TOTAL IT COSTS	37	58	21	65	65	
TOTAL PROJECT SPEND		30	30	30	30	
TOTAL COMMUNICATIONS	26	108	83	150	150	
TOTAL TRAVEL	8	6	-2	13	13	
TOTAL LEGAL, PROFESSIONAL & OTHER	778	1,168	390	1,539	1,539	
TOTAL Expenditure	3,714	4,906	1,192	5,656	5,561	95
TOTAL Capital						
Total Cost	3,714	4,906	1,192	5,656	5,561	95

The Staff Costs forecast reduction in month reflects that in the recent recruitment campaign for Technology, some posts were not filled successfully, leading to further slippage on start dates into the next financial year.

Corporate: (£107k movement from M9)

Corporate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M9 £000's	F/Y FC M10 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	669	-6	-675	771	664	107
TOTAL LEGAL, PROFESSIONAL & OTHER		2	2	2	2	-
TOTAL Expenditure	669	-4	-673	773	667	107
TOTAL Capital						
Total Cost	669	-4	-673	773	667	107

The movement in Staff Costs in month is driven by a reduction on the accrual for career banding uplift. In M10 the uplift value was known, and the estimated accrual replaced with a known value accrual. The actual value of the career banding uplift will be reflected in the individual cost centres in February pay.

The forecast also includes an accrual for the impact of the July 2021 pay remit which has not yet been implemented, and an estimate for a potential working from home expenses payment due to the ongoing nature of the pandemic and restrictions within 2021/22.