

Finance Report Summary, Financial Year 2021/22

December 2021

Executive Summary

The management accounts for the end of December, as set out in the table below, shows Income is currently 0.1% higher than budget year to date. DP fee income in December is £164k 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 £125k 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 Q3 forecast review took place in December to ensure that the remaining Income and Expenditure profiles, which were reset following a review at Q2, remain realistic. Following this review the yearend surplus is now forecast to outturn at £817k. Year to date we have spent 67% of our expenditure budgets at 75% of the way through the financial year meaning a significant increase in expenditure is needed across Q4 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 Nine Months Ending 31 December 2021								
	Year To Date				Full Year	Full Year	Full Year	Prior Year
	Budget £000's	Actual £000's	Variance £000's	Var % %	Forecast £000's	Budget £000's	Variance £000's	Actual 2020/21 £000's
DP FEE INCOME	£43,276	£43,440	-£164	-0.4%	£62,680	£62,680	£	£53,205
GRANTS/OTHER INCOME	£5,836	£5,712	£125	2.1%	£7,946	£7,946	£	£6,391
TOTAL INCOME	£49,112	£49,151	-£39	-0.1%	£70,626	£70,626	£	£59,595
TOTAL OFFICE COSTS	£4,225	£4,039	£186	4.4%	£5,122	£5,122	£	£2,662
TOTAL STAFF COSTS	£36,654	£36,066	£588	1.6%	£51,014	£51,756	£743	£43,093
TOTAL TRAINING AND RECRUITMENT	£994	£868	£126	12.7%	£1,301	£1,303	£2	£825
TOTAL IT COSTS	£3,396	£3,087	£309	9.1%	£4,500	£4,474	-£26	£4,486
TOTAL PROJECT SPEND	£655	£698	-£43	-6.6%	£2,169	£1,689	-£480	£1,230
TOTAL COMMUNICATIONS	£319	£162	£157	49.2%	£450	£450	£	£280
TOTAL FINANCIAL COSTS	£122	£110	£11	9.1%	£184	£169	-£15	£231
TOTAL TRAVEL	£67	£74	-£7	-9.8%	£147	£155	£8	£70
TOTAL LEGAL, PROFESSIONAL & OTHER	£3,006	£2,048	£958	31.9%	£4,400	£4,324	-£76	£1,863
TOTAL COSTS	£49,437	£47,153	£2,284	4.6%	£69,287	£69,443	£156	£54,739
CAPITAL SPEND	£	£	£	0.0%	£521	£1,021	£500	£504
SURPLUS/ (DEFICIT)	-£325	£1,998	-£2,323	715.2%	£817	£161	-£656	£4,856

Income

Overall, income has recovered in December to £39k ahead of forecast compared to £95k behind budget in November, with DP income now ahead of forecast by £164k. This is likely due to timings in the year with organisations looking to renew prior to the December holidays.

Proactive contact with organisations has helped to support the renewals and acquisitions metrics through the year. The year to date renewal rate was 90.02% at the end of December 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. Cumulatively 230,699 new registrations were added this financial year by the end of December, 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 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		49,208,115		
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 Travel. A full Q3 deep dive forecast review took place in December to ensure that the budgets allocated remain realistic, and to ensure that any underspends can be identified early for potential reallocation to other areas of priority in Q4 2021/22.

The year to date position shows an underspend against allocated budget totalling £2,284k. 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 £588k. 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 (£410k) with a large number of vacancies as yet unfilled.

IT Costs

Year to date IT Costs are underspending by £309k, driven by underspends in applications support and cloud hosting. Many of the projects within IT are showing as underspent year to date, however this is a timing variance as expenditure is expected to increase across Q4 now that necessary procurement activity has completed.

Legal & Professional Services Costs

Year to date Legal and Professional Services costs are underspending by £958k, driven by underspends in professional services (£735k) and research (£178k). This is expected to be related to timing of expenditure slipping during the financial year and is still forecast to be spent in Q4.

Full Year Expenditure – Q3 Forecast Review Outcome

The outcome of the Q3 Review is a reduction in full year budget expenditure of £656k from previous Budget. The underspends are within:

- **Chief Operating Officer £92k overspend in total** - COO Directorate £259k overspend, General Counsel £12k underspend, Strategic Change and Transformation £155k underspend.
- **Chief Regulatory Officer total £748k underspend in total** – Chief Regulatory Officer £226k underspend, Regulatory Futures and Innovation £522k underspend.
- **Corporate Costs £0k underspend / overspend.**

The movements analysis at Executive Team level is outlined below:

Chief Operating Officer Directorate: (£259k overspend)

Chief Operating Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC £000's	F/Y Bud £000's	F/Y Var £000's
TOTAL OFFICE COSTS	4,039	4,225	186	5,122	5,122	
TOTAL STAFF COSTS	16,782	16,634	-148	23,253	22,979	-273
TOTAL TRAINING AND RECRUITMENT	853	929	76	1,214	1,216	2
TOTAL IT COSTS	3,054	3,344	289	4,423	4,397	-26
TOTAL PROJECT SPEND	123	94	-29	295	295	
TOTAL COMMUNICATIONS	136	197	61	252	252	
TOTAL FINANCIAL COSTS	110	122	11	184	169	-15
TOTAL TRAVEL	28	33	5	59	59	
TOTAL LEGAL, PROFESSIONAL & OTHER	617	807	190	1,006	1,060	54
TOTAL Expenditure	25,742	26,385	642	35,809	35,550	-259
TOTAL Capital						
Total Cost	25,742	26,385	642	35,809	35,550	-259

The majority of the forecast overspend from Budget within the COO Directorate is in relation to Staff Costs with a forecast overspend of £273k. This has been driven by:

- the People Services restructure which was approved by the resources board in October, however only part year funding is being consumed in 21/22 with recruitment activity continuing to take place across Q4 and into 22/23, £150k underspend
- increased agency usage in Public Advice and Data Protection Complaints due to a large number of vacancies being covered by agency staff £275k overspend
- additional temporary resources being recruited to support the Finance Directorate £175k overspend.

Legal, Professional and Other costs expected to underspend by £54k due to the research in Corporate Communications for the Regulatory Futures project.

General Counsel Directorate: (£12k underspend)

General Council Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC £000's	F/Y Bud £000's	F/Y Var £000's
TOTAL STAFF COSTS	2,413	2,497	84	3,467	3,614	147
TOTAL TRAINING AND RECRUITMENT	4	15	11	20	20	
TOTAL TRAVEL	7	3	-4	5	5	
TOTAL LEGAL, PROFESSIONAL & OTHER	673	664	-9	1,020	885	-135
TOTAL Expenditure	3,097	3,179	81	4,512	4,524	12
TOTAL Capital						
Total Cost	3,097	3,179	81	4,512	4,524	12

The Staff Costs budget was increased to reflect an expansion to the legal services teams in 2021/22. Some new roles are yet to be recruited leading to an expected underspend of £147k.

The overspend in Legal, Professional and Other for external legal professionals is to cover the required workload and is linked to the underspend from vacancies.

Strategic Change and Transformation Directorate: (£155k underspend)

Strategic Change and Transformation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC £000's	F/Y Bud £000's	F/Y Var £000's
TOTAL STAFF COSTS	1,686	1,795	110	2,442	2,577	135
TOTAL TRAINING AND RECRUITMENT		20	20	26	26	
TOTAL PROJECT SPEND	575	546	-29	1,844	1,364	-480
TOTAL TRAVEL	1	1	-	2	2	
TOTAL LEGAL, PROFESSIONAL & OTHER	43	84	42	170	170	
TOTAL Expenditure	2,305	2,476	172	4,524	4,179	-345
TOTAL Capital				521	1,021	500
Total Cost	2,305	2,476	172	5,045	5,200	155

The Staff Cost budget was increased to reflect an expansion to the change and transformation team in 2021/22. Delays in being able to successfully recruit have led to continued vacancies resulting in an expected yearend underspend of £135k.

Project Spend is forecast to overspend by £480k in 2021/22 mostly due to the identification that the ERP system will be funded from expenditure rather than Capital, and is offset by a £500k reduction in Capital.

Chief Regulatory Officer Directorate: (£226k underspend)

Chief Regulatory Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC £000's	F/Y Bud £000's	F/Y Var £000's
TOTAL STAFF COSTS	12,208	12,666	458	17,247	17,459	212
TOTAL TRAINING AND RECRUITMENT	9	13	5	15	15	
TOTAL IT COSTS		9	9	12	12	
TOTAL COMMUNICATIONS	4	4		8	8	
TOTAL TRAVEL	31	26	-5	68	76	8
TOTAL LEGAL, PROFESSIONAL & OTHER	96	534	437	663	668	6
TOTAL Expenditure	12,348	13,252	904	18,013	18,239	226
TOTAL Capital						
Total Cost	12,348	13,252	904	18,013	18,239	226

The Staff Costs budget was increased to reflect an expansion to the regulatory strategy and investigation teams in 2021/22. So far only a small number of the new roles have been recruited to successfully, and a number of vacancies are expected to remain through to financial yearend leading to an estimated underspend of £212k.

Regulatory Futures and Innovation Directorate: (£552k underspend)

Regulatory Futures and Innovation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC £000's	F/Y Bud £000's	F/Y Var £000's
TOTAL STAFF COSTS	2,579	3,066	488	3,834	4,356	522
TOTAL TRAINING AND RECRUITMENT	2	17	14	26	26	
TOTAL IT COSTS	33	44	11	65	65	
TOTAL PROJECT SPEND		15	15	30	30	
TOTAL COMMUNICATIONS	22	88	65	150	150	
TOTAL TRAVEL	6	5	-2	13	13	
TOTAL LEGAL, PROFESSIONAL & OTHER	620	915	295	1,539	1,539	
TOTAL Expenditure	3,262	4,149	886	5,656	6,178	522
TOTAL Capital						
Total Cost	3,262	4,149	886	5,656	6,178	522

The Staff Costs budget was increased to reflect an expansion to the Technology and Innovation team in 2021/22. So far only a small number of the new roles have been recruited to successfully, with vacancies expected to continue to the end of the year resulting in an underspend of £522k.

Corporate: (£0 variance)

Corporate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC £000's	F/Y Bud £000's	F/Y Var £000's
TOTAL STAFF COSTS	397	-6	-403	771	771	-
TOTAL LEGAL, PROFESSIONAL & OTHER		2	2	2	2	
TOTAL Expenditure	398	-4	-401	773	773	-
TOTAL Capital						
Total Cost	398	-4	-401	773	773	-

The Staff Costs in corporate reflect the accrual for the career banding uplift exercise which took place in October. There is a risk of under or over accrual which will lead to a correction in year end forecast in February when actuals will appear in Staff Costs in their directorates.