

Finance Report Summary, Financial Year 2021/22

February 2022

Executive Summary

The management accounts for the end of February, as set out in the table below, shows Income is currently 0.6% lower than budget year to date. DP fee income in February is £305k behind the budget year to date and is expected to be £626k under recovered at year end. Grants / Other Income is made up of Grant in Aid (GiA) funding and the Regulatory Pioneers Funding (RPF). RPF Income is currently £103k below budget year to date, there has been slippage on expected projects in Q4 and is forecast to be under recovered by £42k at year end. 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 February to ensure that the remaining Income and Expenditure profiles, which were reset following a review at Q3, remain realistic. Following this review the yearend surplus is now forecast to outturn at £3,263k underspent (4.6% of annual budget), this is an increase to the surplus forecast reported at M10 of £607k. The primary drivers of this change were in Staff Costs (£544k), Legal, Professional & Other (£706k) negated partially by a reduction in the DP Fee Income (£626k).

Year to date we have spent 83% of our expenditure forecast at 92% of the way through the financial year meaning a significant increase in expenditure is needed in M12 to meet this expected forecast outturn, in particular Staff Costs and Legal, Professional & Other. Taking into consideration the expenditure burn rate to date, it is likely that additional underspends will materialise during M12 increasing the surplus currently reported.

MANAGEMENT REPORT								
For the Eleven Months Ending 28 February 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	%	M10	M11	£000's	2020/21
					£000's	£000's		£000's
DP FEE INCOME	£55,587	£55,282	£305	0.5%	£62,680	£62,054	£626	£53,205
GRANTS/OTHER INCOME	£7,242	£7,159	£83	1.2%	£7,946	£7,903	£42	£6,391
TOTAL INCOME	£62,829	£62,441	£388	0.6%	£70,626	£69,957	£668	£59,595
TOTAL OFFICE COSTS	£4,809	£4,742	£67	1.4%	£5,072	£5,087	-£15	£2,662
TOTAL STAFF COSTS	£45,445	£44,497	£948	2.1%	£49,755	£49,210	£544	£43,093
TOTAL TRAINING AND RECRUITMENT	£1,202	£1,058	£145	12.0%	£1,208	£1,364	-£156	£825
TOTAL IT COSTS	£4,118	£3,921	£198	4.8%	£4,430	£4,451	-£21	£4,486
TOTAL PROJECT SPEND	£798	£1,073	-£275	-34.5%	£2,138	£1,910	£228	£1,230
TOTAL COMMUNICATIONS	£404	£190	£214	53.1%	£370	£340	£30	£280
TOTAL FINANCIAL COSTS	£155	£173	-£19	-12.0%	£184	£191	-£7	£231
TOTAL TRAVEL	£122	£95	£27	21.9%	£156	£111	£45	£70
TOTAL LEGAL, PROFESSIONAL & OTHER	£3,854	£2,630	£1,224	31.8%	£4,285	£3,579	£706	£1,863
TOTAL COSTS	£60,906	£58,378	£2,529	4.2%	£67,598	£66,244	£1,354	£54,739
CAPITAL SPEND	£	£	£	0.0%	£371	£450	-£79	£504
SURPLUS/ (DEFICIT)	£1,923	£4,063	-£2,140	-111.3%	£2,657	£3,263	-£607	£4,856

Income

Overall, income has delivered below target in February and is now behind forecast by £388k, a decrease of £485k. This decrease has been driven by lower than expected DP income. In February 2021, 46,000 new organisations were registered; the renewal rate on these new organisations is significantly lower than the average renewal rate leading to a reduction in expected DP Fee income. It is worth note that in March 2021 a further 53,000 new organisations were registered, assuming the renewal rate reflects February, there is a risk that target income for the year will not be met. This has led to a reduction in the year end forecast to £626k under target.

Including February's renewal rate, the year to date renewal rate was 89.49% at the end of February and at the end of the month the register had 1.061m organisations on the fee register, against a year-end target of 1.13m, although there was a slight reduction in February of 1,380. Cumulatively 249,995 new registrations were added this financial year by the end of February, against a target of 258,914.

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. Year end forecast is currently £42k underutilised.

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	5,915,585	55,586,521	55,282,020	-304,501
March	6,467,480		62,054,001		

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. A full forecast review took place in February to ensure that the budgets allocated remain realistic, however recognising that the timing of recognising these underspends makes it difficult to reallocate to other areas of priority this late in the financial year due to recruitment and procurement lead times.

The year to date position shows an underspend against allocated budget totalling £2,529k. Most of this underspend year to date is within Staff Costs and Legal & Professional Services costs for which more information is detailed below:

Staff Costs

Year to date Staff costs are underspending by £948k. 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 (£678k) with a large number of vacancies as yet unfilled or are currently going through the onboarding process.

Legal & Professional Services Costs

Year to date Legal and Professional Services costs are underspending by £1,224k, driven by underspends in professional services (£867k) and research (£262k).

Full Year Expenditure – M11 Forecast Review Outcome

The outcome of the M11 Review is a reduction in full year budget expenditure of £1,275k from M10 forecast reported to the Board last month. The underspends are within:

- **Chief Operating Officer £1,115k underspend in total** - COO Directorate £578k underspend, General Counsel £5k underspend, Strategic Change and Transformation £532k underspend.
- **Chief Regulatory Officer total £2,549k underspend in total** – Chief Regulatory Officer £1,418k underspend, Regulatory Futures and Innovation £1,131k underspend.

The movements analysis at Executive Team level is outlined below:

Chief Operating Officer Directorate: (£328k movement in month)

Chief Operating Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M10 £000's	F/Y FC M11 £000's	F/Y FC Movement £000's
TOTAL OFFICE COSTS	4,339	4,536	196	5,072	5,087	-15
TOTAL STAFF COSTS	18,738	18,519	-219	23,017	22,808	208
TOTAL TRAINING AND RECRUITMENT	979	1,076	97	1,136	1,339	-203
TOTAL IT COSTS	3,472	3,695	222	4,364	4,395	-31
TOTAL PROJECT SPEND	123	104	-19	295	125	170
TOTAL COMMUNICATIONS	149	216	67	192	182	10
TOTAL FINANCIAL COSTS	148	138	-10	184	191	-7
TOTAL TRAVEL	32	41	10	58	43	15
TOTAL LEGAL, PROFESSIONAL & OTHER	623	881	258	981	801	180
TOTAL Expenditure	28,603	29,206	603	35,300	34,972	328
TOTAL Capital				150	150	
Total Cost	28,603	29,206	603	35,450	35,122	328

The forecast movement within the COO Directorate is in relation to Staff Costs, Training and Recruitment, Project Spend and Legal, Professional and Other. This has been driven by:

- Further slippage in vacancies being filled in People and Workforce Development of £80k and a reduction in forecast overspend for Finance and Estates of £104k.
- Increased recruitment costs driven by the number of recruitment campaigns taking place across the organisation in Q4. The outturn is expected to be overspent by £123k.
- Project spend forecast has reduced by £170k due to a delay in accommodation fit-out for the London office.
- Legal, Professional and Other spend has reduced in month due to Research no longer taking place in Comms this financial year. Further reduction in forecasts have taken place throughout the directorate.

General Counsel Directorate: (£85k movement in month)

General Council Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M10 £000's	F/Y FC M11 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	2,687	2,791	105	3,479	3,494	-15
TOTAL TRAINING AND RECRUITMENT	4	17	13	10	10	
TOTAL TRAVEL	10	3	-7	15	15	
TOTAL LEGAL, PROFESSIONAL & OTHER	730	738	7	930	1,000	-70
TOTAL Expenditure	3,431	3,549	118	4,434	4,519	-85
TOTAL Capital						
Total Cost	3,431	3,549	118	4,434	4,519	-85

The movement in forecast from M10 is a further increase in Legal, Professional and Other expenditure. This is driven by an increase in expected overspend for external legal advice taking place before the end of the financial year due to a large number of invoices expected before the end of the financial year.

Strategic Change and Transformation Directorate: (£6k movement in month)

Strategic Change and Transformation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M10 £000's	F/Y FC M11 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	1,883	2,044	162	2,272	2,282	-10
TOTAL TRAINING AND RECRUITMENT		20	20	26		26
TOTAL PROJECT SPEND	715	638	-77	1,813	1,785	28
TOTAL COMMUNICATIONS		33	33	20	20	
TOTAL TRAVEL		1	1	2	2	
TOTAL LEGAL, PROFESSIONAL & OTHER	58	90	32	170	129	41
TOTAL Expenditure	2,656	2,827	171	4,302	4,218	85
TOTAL Capital				221	300	-79
Total Cost	2,656	2,827	171	4,523	4,518	6

In M11 there has been minimal movement in forecast. Training and Recruitment spend has reduced by £26k due to conference budget being unutilised in 2021-22. Project spend forecast has reduced £28k in month with further slippage on SME Digital Solutions.

Capital spend forecast has increased by £79k as a result of additional spend on ICE Phase 2 in year.

Chief Regulatory Officer Directorate: (£513k movement in month)

Chief Regulatory Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M10 £000's	F/Y FC M11 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	13,632	14,202	570	16,584	16,510	74
TOTAL TRAINING AND RECRUITMENT	9	15	6	10	10	
TOTAL IT COSTS		10	10	1	1	
TOTAL COMMUNICATIONS	4	4		8	8	
TOTAL TRAVEL	34	39	4	68	38	30
TOTAL LEGAL, PROFESSIONAL & OTHER	172	646	474	663	254	409
TOTAL Expenditure	13,851	14,916	1,065	17,334	16,821	513
TOTAL Capital						
Total Cost	13,851	14,916	1,065	17,334	16,821	513

The key movement in month has been in Legal, Professional and Other driven by a reduction in the forecast spend on NiS to £119k at year end against a budget of £515k. The slippage on the NiS project spend will be additional expenditure in 2022-23.

Regulatory Futures and Innovation Directorate: (£514k movement in month)

Regulatory Futures and Innovation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M10 £000's	F/Y FC M11 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	2,864	3,515	650	3,739	3,452	287
TOTAL TRAINING AND RECRUITMENT	2	22	20	26	5	21
TOTAL IT COSTS	37	58	21	65	55	10
TOTAL PROJECT SPEND		30	30	30		30
TOTAL COMMUNICATIONS	26	108	83	150	130	20
TOTAL TRAVEL	8	6	-2	13	13	
TOTAL LEGAL, PROFESSIONAL & OTHER	778	1,168	390	1,539	1,393	146
TOTAL Expenditure	3,714	4,906	1,192	5,561	5,048	514
TOTAL Capital						
Total Cost	3,714	4,906	1,192	5,561	5,048	514

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. Other slippage has occurred due to start dates now not taking place until the new financial year.

Corporate: (£0 movement in month)

Corporate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M10 £000's	F/Y FC M11 £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	669	-6	-675	664	664	
TOTAL LEGAL, PROFESSIONAL & OTHER		2	2	2	2	
TOTAL Expenditure	669	-4	-673	667	667	
TOTAL Capital						
Total Cost	669	-4	-673	667	667	

There has been no movement in forecast in month. The forecast contains an accrual for career banding uplift at known value. The actual value of the career banding uplift will be reflected in the individual cost centres in March pay.

The forecast also includes an accrual for the work from home payment expected before the end of the financial year.