

Finance Report Summary, Financial Year 2021/22

March 2022 (Pre-Audited)

Executive Summary

This report provides the interim pre-audited management accounts for the end of 2021/22. The end of year surplus is £3,851k which is 5.5% against our Income outturn, and an increase of £233k from the surplus forecast in the February management accounts.

The original budgeted Income for the financial year was £70,626k (DP Fee Income £62,680k and Grant in Aid / Other Income £7,946k), the forecast for DP Fee Income was reduced in the February forecast by £626k due to a lower first time renewal rate. The end of year DP fee income outturn was £267k below the February forecast, resulting in an overall reduction in DP fee income since budget of £893k (1.4%). Grants / Other Income is made up of Grant in Aid (GiA) funding and the Regulatory Pioneers Funding (RPF). At year end all GiA and RPF funding was on target.

Further income from Telephone Preference Service (TPS) Management and Proceed of Crime Act (POCA) bringing Other Income above budget at year end by £21k. The ICO manage the TPS and receive income from the contract. Previously this income was not budgeted but is £14k per annum. The ICO is also able to receive income through the Proceeds of Crime Act (POCA). The ICO does not currently have the power to conduct financial investigations under POCA. However, we have been working alongside agencies who do have these powers and supply the services of accredited financial investigators. If these investigations lead to Confiscation Orders being issued and assets being recovered, the ICO can keep a percentage of this money in line with Home Office rules.

A monthly forecast review took place in February to ensure that the remaining Expenditure profiles remained realistic. In March there was an underspend of £436k against the February forecast. As per the year to date variance included within the table below, the largest areas of underspends across the year against Budget have been within Staff Costs (£2,611k) and Legal, Professional and Other (£950k).

MANAGEMENT REPORT

For the Twelve Months Ending 31 March 2022

	Year To Date				Full Year			P/Y Act
	Bud £000's	Act £000's	Var £000's	Var % %	F/C M11 £000's	Y/E Act £000's	Var £000's	2020/21 £000's
DP FEE INCOME	£62,680	£61,787	£893	1.4%	£62,054	£61,787	-£267	£53,205
GRANTS/OTHER INCOME	£7,946	£7,966	-£21	-0.3%	£7,903	£7,966	£63	£6,391
TOTAL INCOME	£70,626	£69,753	£872	1.2%	£69,957	£69,753	£204	£59,595
OFFICE COSTS	£5,122	£4,984	£138	2.7%	£5,087	£4,984	£103	£2,662
STAFF COSTS	£51,756	£49,145	£2,611	5.0%	£48,990	£49,145	-£155	£43,093
TRAINING AND RECRUITMENT	£1,303	£1,257	£46	3.5%	£1,364	£1,257	£107	£825
IT COSTS	£4,474	£4,343	£131	2.9%	£4,451	£4,343	£108	£4,486
PROJECT SPEND	£1,689	£1,421	£268	15.9%	£1,910	£1,421	£489	£1,230
COMMUNICATIONS	£450	£228	£221	49.2%	£340	£228	£111	£280
FINANCIAL COSTS	£169	£175	-£6	-3.5%	£191	£175	£16	£231
TRAVEL	£155	£130	£25	16.0%	£111	£130	-£19	£70
LEGAL, PROFESSIONAL & OTHER	£4,486	£3,536	£950	21.2%	£3,444	£3,536	-£92	£1,863
TOTAL COSTS	£69,605	£65,220	£4,386	6.3%	£65,889	£65,220	£669	£54,739
CAPITAL SPEND	£1,021	£683	£338	33.1%	£450	£683	-£233	£504
SURPLUS/ (DEFICIT)	£	£3,851	-£3,851	#DIV/0!	£3,618	£3,851	-£233	£4,856

Income

DP Fee Income

In February the renewal rate was lower than the average renewal rate from the previous ten months of the year, specifically for first time renewals. This led to a reduction in the DP Fee income February forecast reflecting a revised forecast of £62,054k from £62,680k. This revised forecast took into consideration that in March 2021 53,000 new organisations were registered and we anticipated these first time renewals would also have a reduced renewal rate from the budgeted assumption.

Including March's renewal rate, the full year renewal rate was 89.5% and at the end of the financial year there were 1.06m organisations on the fee register, against a year-end target of 1.13m. Cumulatively 264,450 new registrations were added this financial year by the end of February, against a target of 258,914.

The following table shows the monthly DP fee income forecast and the full year 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	6,504,874	62,054,001	61,786,894	-267,107

Grant in Aid / Other Income

The Grant in Aid income for the year covered income for Freedom of Information, NIS, eIDAS (electronic identification and trust services, Investigatory Act, Adequacy and pension funding. Grant in Aid funding has been drawn down evenly throughout the year. In addition, we were successful in a bid for additional funding of £369k from the BEIS led Regulators' Pioneer Fund for 2021/22 – this funding had to be spent within this financial year and was drawn down aligned to the expenditure profile it was funding. The year-end outturn was on target. An additional unbudgeted income of £21k also came in from TPS Management and POCA.

Full Year Expenditure against Budget

At year end spend against the original budget is lower than expected within most budget lines except for Financial Costs.

The end of year position shows an underspend against budget totalling £4,724k, including Capital. 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

At year end Staff costs have underspent by £2,611k. The underspend is due to recruitment activity which was either completed later in the financial year than expected in the budget, or where we have vacancies which have not yet been filled due to difficulty in recruiting to certain specialised roles. The largest

underspend is in Technology Policy and Innovation (£855k) and Investigations (£621k).

Legal & Professional Services Costs

At year end Legal and Professional Services costs have underspent by £950k, driven by underspends in

- professional services (£683k) mostly due to slippage against planned activities regarding NIS, and;
- research (£182k) in Corporate Communications with the research now planned for next financial year.

Full Year Expenditure against M11 February Forecast

The full year expenditure outturn is a reduction in expenditure of £436k from M11 forecast reported to the Resources Board last month. The underspends are within:

- **Chief Operating Officer £485k underspend in total** - COO Directorate £157k underspend, General Counsel £88k underspend, Strategic Change and Transformation £240k underspend.
- **Chief Regulatory Officer total £183k overspend in total** - Chief Regulatory Officer £98k overspend, Regulatory Futures and Innovation £85k overspend
- **Corporate total £134k underspend in total**

The movements analysis at Executive Team level is outlined below:

Chief Operating Officer Directorate: (£157k movement from M11)

Chief Operating Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M11 £000's	Y/E Outturn £000's	F/Y FC Movement £000's
TOTAL OFFICE COSTS	4,984	5,122	138	5,087	4,984	103
TOTAL STAFF COSTS	22,924	22,979	55	22,808	22,924	-116
TOTAL TRAINING AND RECRUITMENT	1,241	1,216	-25	1,339	1,241	98
TOTAL IT COSTS	4,297	4,397	100	4,395	4,297	98
TOTAL PROJECT SPEND	174	295	121	125	174	-49
TOTAL COMMUNICATIONS	171	252	81	182	171	11
TOTAL FINANCIAL COSTS	186	169	-17	191	186	5
TOTAL TRAVEL	56	59	3	43	56	-13
TOTAL LEGAL, PROFESSIONAL & OTHER	782	1,060	278	801	782	19
TOTAL Expenditure	34,815	35,550	735	34,972	34,815	157
TOTAL Capital	150	150		150	150	
Total Cost	34,965	35,700	735	35,122	34,965	157

The movement within the COO Directorate is in relation to Office Costs, Staff Costs, Training and Recruitment and IT Costs. This has been driven by:

- A reduction from forecast expenditure within Office Costs mostly in relation to Rates and Building Insurance (£25k), Repairs and Maintenance (£42k).
- An increase in Staff Cost from M11 forecast of £116k driven by increases in staff numbers in Public Advice & DP Complaints (£46k) as well as an increase due to the career band uplift being split out to each directorate in March pay (previously forecast centrally within Corporate costs).
- A reduction in forecast Recruitment costs (£98k) in month.
- A reduction in IT Costs (£98k) mostly driven by an underspend in Card Processing Charges in month against M11 forecast.

General Counsel Directorate: (£88k movement from M11)

General Council Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M11 £000's	Y/E Outturn £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	3,270	3,614	344	3,274	3,270	4
TOTAL TRAINING AND RECRUITMENT	5	20	15	10	5	5
TOTAL TRAVEL	13	5	-8	15	13	2
TOTAL LEGAL, PROFESSIONAL & OTHER	1,013	885	-128	1,090	1,013	77
TOTAL Expenditure	4,301	4,524	223	4,389	4,301	88
TOTAL Capital						
Total Cost	4,301	4,524	223	4,389	4,301	88

The movement within the General Counsel Directorate is mostly in relation to a reduction in Legal, Professional and Other expenditure.

Strategic Change and Transformation Directorate: (£240k movement from M11)

Strategic Change and Transformation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M11 £000's	Y/E Outturn £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	2,314	2,577	263	2,282	2,314	-32
TOTAL TRAINING AND RECRUITMENT		26	26			
TOTAL PROJECT SPEND	1,247	1,364	117	1,785	1,247	538
TOTAL COMMUNICATIONS	11	40	29	20	11	9
TOTAL TRAVEL	1	2	1	2	1	1
TOTAL LEGAL, PROFESSIONAL & OTHER	118	170	53	74	118	-43
TOTAL Expenditure	3,690	4,179	488	4,163	3,690	472
TOTAL Capital	533	871	338	300	533	-233
Total Cost	4,223	5,050	827	4,463	4,223	240

The movement within the Strategic Change and Transformation Directorate reflects a movement between Capital and Project Spend to reflect prior year and

current year capitalised assets which, following the IFRIC judgement in April 2021 are no longer able to be capitalised.

A further year end adjustment was made for the capitalisation of assets purchased within 21/22, this movement was from project spend to capital.

Within Project Spend there was a further underspend in month due to reductions in forecast expenditure relating to ICE Phase 2 (£30k), Intelligence Database projects (£80k) and WAN Replacement (£50k).

Chief Regulatory Officer Directorate: (£98k movement from M11)

Chief Regulatory Officer Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M11 £000's	Y/E Outturn £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	16,593	17,459	866	16,510	16,593	-83
TOTAL TRAINING AND RECRUITMENT	9	15	7	10	9	1
TOTAL IT COSTS	2	12	11	1	2	-1
TOTAL COMMUNICATIONS	4	8	3	8	4	3
TOTAL TRAVEL	45	76	32	38	45	-6
TOTAL LEGAL, PROFESSIONAL & OTHER	207	668	461	194	207	-13
TOTAL Expenditure	16,859	18,239	1,380	16,761	16,859	-98
TOTAL Capital						
Total Cost	16,859	18,239	1,380	16,761	16,859	-98

The key movement from M11 forecast has been in Staff Costs with the outturn being £83k higher. This was driven by new starters in Economic Analysis and Regulatory Assurance as well as an increase from career band uplifts being reflected in March pay (previously forecast centrally within Corporate Costs).

Regulatory Futures and Innovation Directorate: (£85k movement from M11)

Regulatory Futures and Innovation Directorate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M11 £000's	Y/E Outturn £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	3,501	4,356	855	3,452	3,501	-49
TOTAL TRAINING AND RECRUITMENT	3	26	23	5	3	2
TOTAL IT COSTS	44	65	21	55	44	11
TOTAL PROJECT SPEND		30	30			
TOTAL COMMUNICATIONS	42	150	108	130	42	88
TOTAL TRAVEL	16	13	-3	13	16	-3
TOTAL LEGAL, PROFESSIONAL & OTHER	1,416	1,539	122	1,283	1,416	-134
TOTAL Expenditure	5,022	6,178	1,156	4,938	5,022	-85
TOTAL Capital						
Total Cost	5,022	6,178	1,156	4,938	5,022	-85

In M12 there has been an increase in outturn from M11 forecast in Legal, Professional and Other driven by an increase in Professional Services on Operation Lander.

Staffing costs have also increased in month due to the career band uplift being reflected in March pay (previously forecast centrally within Corporate costs).

Corporate: (£134k movement from M11)

Corporate	YTD Act £000's	YTD Bud £000's	YTD Var £000's	F/Y FC M11 £000's	Y/E Outturn £000's	F/Y FC Movement £000's
TOTAL STAFF COSTS	543	771	227	664	543	121
TOTAL FINANCIAL COSTS	-11		11		-11	11
TOTAL LEGAL, PROFESSIONAL & OTHER		164	164	2		2
TOTAL Expenditure	532	935	402	667	532	134
TOTAL Capital						
Total Cost	532	935	402	667	532	134

The outturn for Corporate reflects a reduction in Staffing costs to reflect the removal of the career band uplift accrual as March pay reflected the increase within each directorate.