

Finance Report Summary, Financial Year 2022/23

October 2022

Executive Summary

This report provides the October management accounts for 2022/23 which show a forecast year end deficit of £3.7m, driven by a reduced fee income forecast.

The budgeted Income for the financial year is £81,272k, which includes Data Protection Fee Income £71,123k, Grant in Aid £7,972k, Other Government Funding £357k, and Fine Retention Income £1,820k.

The forecast for DP Fee income was revised downwards at Q2 to £5.8m below budget (8.1%). YTD the position for DP Fee income is currently £4.3m below the original budgeted profile, however since the forecast was reset at Q2, the variance to forecast over the past 2 months is only £148k (1.3%). Income will continue to be monitored closely in upcoming months to determine if the assumptions need to be reviewed further. The fee income is directly affected by the economic downturn and this risk had been reported to DCMS, our sponsorship department early in the financial year.

A financial expenditure forecast is £0.2m underspent in comparison to budget when taking capital spend into consideration. A breakdown by directorate can be found in Appendix 1.

Year to date expenditure is reporting as £1.8m underspent against the budgeted profile, £1.1m in relation to staff costs and £0.7m in relation to non-staff costs.

Within the Staff Costs forecast we have a turnover saving target to offset optimism in directorate forecasts. All year to date underspends in Staff Costs are offset against a reduction in the turnover savings target.

Non-staff variances year to date mostly relate to slippage from original budget, although underspends have been forecast at Q2 within Software Licencing (IT Costs), Office Costs and Project Costs. However, based on the burn rate of expenditure to date for non-staff costs, 48.9% of the forecast has been spent year to date at 58.3% of the way through the financial year, there is potential for further slippage in remaining expenditure that could lead to reductions in forecasts across Q3 and Q4. Finance are working with budget holders to carry out a deep dive review of these forecasts for the next Resource Board paper in December.

Table 1 October Consolidated Management Accounts

October Consolidated Management Accounts	Year To Date - October				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Oct	Var	FC Sep	FC Oct	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
ICO Consolidated										
DP FEE INCOME	£39,714	£35,446	-£4,268	-10.75%	£71,123	£65,355	-£5,768	£65,355	£65,355	-£0
GRANT IN AID	£4,650	£4,650	£0	0.00%	£7,972	£7,972	£0	£7,972	£7,972	£0
OTHER GOVERNMENT FUNDING	£188	£188	-£0	0.00%	£357	£327	-£30	£327	£327	£0
FINE RETENTION INCOME	£1,062	£914	-£148	-13.91%	£1,820	£1,808	-£12	£1,808	£1,808	£0
TOTAL INCOME	£45,614	£41,198	-£4,416	-9.68%	£81,272	£75,463	-£5,809	£75,463	£75,463	-£0
OFFICE COSTS	£2,957	£2,633	£325	10.99%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£32,934	£31,845	£1,089	3.31%	£59,341	£58,674	£668	£58,674	£58,674	£0
TRAINING AND RECRUITMENT	£856	£811	£46	5.37%	£1,425	£1,404	£21	£1,404	£1,404	£0
IT COSTS	£3,000	£2,676	£323	10.77%	£5,286	£5,022	£264	£5,022	£5,022	£0
PROJECT SPEND	£1,805	£1,528	£278	15.40%	£3,329	£2,967	£362	£2,967	£2,967	£0
COMMUNICATIONS	£163	£165	-£2	-1.23%	£277	£332	-£56	£332	£332	£0
FINANCIAL COSTS	£101	£245	-£144	-142.57%	£165	£219	-£54	£198	£219	-£21
TRAVEL	£190	£229	-£38	-20.00%	£361	£383	-£22	£383	£383	£0
LEGAL, PROFESSIONAL & OTHER	£1,538	£1,092	£448	29.13%	£3,659	£3,798	-£138	£3,798	£3,798	£0
TOTAL COSTS	£43,544	£41,224	£2,325	5.34%	£79,374	£77,847	£1,528	£77,826	£77,847	-£21
Capital Spend	£0	£536	-£536	#DIV/0!	£0	£1,302	-£1,302	£1,302	£1,302	£0
SURPLUS/(DEFICIT)	£2,070	-£562	-£2,632	-127.15%	£1,898	-£3,686	-£5,584	-£3,665	-£3,686	-£21

Income

DP Fee Income

In September, we reprofiled the forecast and KPI to reflect a H1 review of performance.

Table 2 below sets out the forecast profile for DP Fees for the financial year after the review, alongside the actual income year to date. The revised budget is based on a renewals target of 88.5% (vs original target of 95%) (2021/22 90%) and new acquisitions target of 182,000 (vs original target of 281,000) with an anticipated overall register of 1.11 million (vs original target of 1.31 million).

Following the reforecast, in October we have recovered £149k less income, a variance of 1.3%.

The renewal rate for the month of October is 86.61% and the year to date renewal rate is 88.82% versus the revised KPI of 88.5%.

Acquisitions activity picked up in October following increased mailings. For October we registered 23,319 new organisations bringing the year to date total to 92,896.

We therefore require a further circa 90k new registrations in the remaining 5 months of the year.

Table 2 – DP Fee Income Reforecast profile for 2022/23

Month	Forecast £	Actual £	Year to date Forecast £	Year to date actual £	Variance £
April	4,445,499	4,550,010	4,445,499	4,550,010	104,511
May	5,592,541	5,074,280	10,038,040	9,624,290	- 413,750
June	5,394,798	4,881,690	15,432,838	14,505,980	- 926,858
July	5,553,398	4,959,122	20,986,236	19,465,102	-1,521,134
August	6,008,001	5,124,528	26,994,237	24,589,630	-2,404,607
Reprofile Forecast			24,589,630	24,589,630	-
September	5,344,116	5,346,130	29,933,746	29,935,760	2,014
October	5,660,642	5,510,107	35,594,388	35,445,867	-148,521
November	6,041,054		41,635,442		
December	4,334,857		45,970,299		
January	5,261,453		51,231,753		
February	6,455,876		57,687,629		
March	7,667,773		65,355,402		

Grant in Aid

Grant in Aid funding is in place to fund our work supporting Freedom of Information (FOI), Network and Information Systems (NIS), Electronic

Identification and Trust Services Regulations (eIDAS), the Investigatory Powers Act (IPA) and Adequacy Assessments.

Other Government Funding

Other government funding has been provided via Memorandum of Understanding letters related to support the implementation of NIS Regulations in light of the increased focus on the security and resilience of digital service providers (£243K), and to support the transfer of the responsibility for maintenance and publishing of the Trusted List to the ICO under eIDAS (£114k). Both of these funding streams are ringfenced to these specific activities.

Fine Income Retention

Prior to 2022/23 financial year, the costs of any litigation incurred in the imposition and recovery of the monetary penalties, which are imposed by the ICO on organisations who breach the DPA or PECR, were fully borne by the ICO. The ICO proposed to Government that the litigation costs incurred should be recovered from monetary penalty income, ensuring that these costs are not funded by fee-paying organisations. This cost recovery model is in practice at other UK regulators. This has now been approved by Government and is in place from 2022/23, hence the addition of Fine Retention Income to the budgeted position to offset DP / PECR associated litigation costs. YTD the income recovered from litigation is £914k with a full year forecast of £1,808k.

Year to Date Expenditure

Staff Costs

As at October, Staff costs have underspent by £1,089k (3.31%). The staffing budget was set based on actual costs of staff in post plus an anticipated profile of vacancies being filled and the underspend is driven by a deviation in these assumptions, primarily around the recruitment to vacancies.

Non-Staff Costs

As at October, Non-staff costs have underspent £700k when including capital spend. Non-staff variances year to date mostly relate to slippage from original budget, although underspends have been forecast at Q2 within Software Licencing (IT Costs), Office Costs and Project Costs. However, based on the burn rate of expenditure to date for non-staff costs, 48.9% of the forecast has been spent year to date at 58.3% of the way through the financial year, there is potential for further slippage in remaining expenditure that could lead to reductions in forecasts across Q3 and Q4.

Appendix 1 – 2022/23 Income & Expenditure by Directorate

October Consolidated Management Accounts	Year To Date - October				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Oct	Var	FC Sep	FC Oct	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
Chief Operating Officer Executive										
OFFICE COSTS	£2,957	£2,633	£325	10.99%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£19,158	£18,564	£594	3.10%	£33,607	£33,200	£407	£33,684	£33,200	£484
TRAINING AND RECRUITMENT	£833	£795	£38	4.56%	£1,382	£1,366	£16	£1,366	£1,366	£0
IT COSTS	£2,981	£2,664	£317	10.63%	£5,194	£4,927	£267	£4,927	£4,927	£0
PROJECT SPEND	£1,722	£1,528	£195	11.32%	£3,185	£2,967	£218	£2,967	£2,967	£0
COMMUNICATIONS	£145	£162	-£17	-11.72%	£249	£303	-£55	£303	£303	£0
FINANCIAL COSTS	£101	£231	-£130	-128.71%	£165	£198	-£33	£198	£198	£0
TRAVEL	£68	£134	-£65	-95.59%	£130	£181	-£51	£181	£181	£0
LEGAL, PROFESSIONAL & OTHER	£1,237	£954	£284	22.96%	£2,302	£2,279	£23	£2,279	£2,279	£0
TOTAL COSTS	£29,203	£27,664	£1,540	5.27%	£2,596	£2,657	-£61	£50,953	£50,469	£484
Capital Spend	£0	£536	-£536	#DIV/0!	£0	£1,227	-£1,227	£1,227	£1,227	£0
TOTAL COSTS	£29,203	£28,200	£1,004	3.44%	£2,596	£3,884	-£1,288	£52,180	£51,696	£484

The forecast movement within the COO Executive is due to a reduction in staff costs due to it taking longer than planned to fill vacancies.

October Consolidated Management Accounts	Year To Date - October				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Oct	Var	FC Sep	FC Oct	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
Chief Regulatory Officer Executive										
OFFICE COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
STAFF COSTS	£11,087	£11,208	-£121	-1.09%	£20,186	£19,769	£418	£19,708	£19,769	-£61
TRAINING AND RECRUITMENT	£5	£1	£4	80.00%	£12	£8	£4	£8	£8	£0
IT COSTS	£7	£6	£1	14.29%	£12	£15	-£3	£15	£15	£0
PROJECT SPEND	£83	£0	£83	100.00%	£114	£0	£114	£0	£0	£0
COMMUNICATIONS	£12	£3	£9	75.00%	£18	£19	-£1	£19	£19	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£59	£61	-£2	-3.39%	£123	£131	-£8	£131	£131	£0
LEGAL, PROFESSIONAL & OTHER	£39	£37	£2	5.13%	£436	£375	£62	£375	£375	£0
TOTAL COSTS	£11,292	£11,317	-£24	-0.21%	£20,901	£20,316	£585	£20,255	£20,316	-£61
Capital Spend	£0	£0	£0	#DIV/0!	£0	£75	-£75	£75	£75	£0
TOTAL COSTS	£11,292	£11,317	-£24	-0.21%	£20,901	£20,292	£609	£20,330	£20,391	-£61

October Consolidated Management Accounts	Year To Date - October				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Oct	Var	FC Sep	FC Oct	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
Regulatory Futures and Innovation Executive										
OFFICE COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
STAFF COSTS	£3,114	£2,379	£735	23.60%	£5,804	£5,054	£750	£5,236	£5,054	£182
TRAINING AND RECRUITMENT	£18	£15	£4	22.22%	£31	£30	£1	£30	£30	£0
IT COSTS	£12	£6	£5	41.67%	£80	£80	£0	£80	£80	£0
PROJECT SPEND	£0	£0	£0	#DIV/0!	£30	£0	£30	£0	£0	£0
COMMUNICATIONS	£6	£0	£6	100.00%	£10	£10	£0	£10	£10	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£63	£34	£29	46.03%	£108	£71	£37	£71	£71	£0
LEGAL, PROFESSIONAL & OTHER	£262	£101	£162	61.83%	£921	£1,144	-£223	£1,144	£1,144	£0
TOTAL COSTS	£3,475	£2,534	£941	27.08%	£6,985	£6,389	£596	£6,571	£6,389	£182
Capital Spend	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TOTAL COSTS	£3,475	£2,534	£941	27.08%	£6,985	£6,278	£706	£6,571	£6,389	£182

The movement in staff costs is due to changes in recruitment and vacancy assumptions.

October Consolidated Management Accounts	Year To Date - October				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Oct	Var	FC Sep	FC Oct	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
Corporate	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
OFFICE COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
STAFF COSTS	-£425	-£306	-£119	28.00%	-£256	£651	-£907	£46	£651	-£605
TRAINING AND RECRUITMENT	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
IT COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
PROJECT SPEND	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
COMMUNICATIONS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
FINANCIAL COSTS	£0	£14	-£14	#DIV/0!	£0	£21	-£21	£0	£21	-£21
TRAVEL	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
LEGAL, PROFESSIONAL & OTHER	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
COSTS	-£425	-£292	-£132	31.06%	-£256	£672	-£928	£46	£672	-£626
Capital Spend	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TOTAL COSTS	-£425	-£292	-£132	31.06%	-£256	£672	-£928	£46	£672	-£626

The increase in Staff Costs within Corporate reflect the offset of the directorate staff cost reductions against the turnover saving credit forecast £(1.5m) at Q2. Remaining turnover saving credit forecast £(0.9m).