

Finance Report Summary, Financial Year 2022/23

December 2022

Executive Summary

This report provides the December management accounts for 2022/23 which show a forecast year end deficit of £2.4m, driven by a reduced DP 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 £4.6m below the original budgeted profile, however since the forecast was reset at Q2, the variance to forecast over the past three months is positive £161k (0.4%). 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 was reported to DCMS, our sponsorship department, early in the financial year.

The financial expenditure forecast is £1.4m 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 £2.6m underspent against the budgeted profile, £1.3m in relation to staff costs and £1.3m in relation to non-staff costs including capital.

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. We expect to make savings beyond that target, so the forecast is now £2.2m under budget.

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, 69% of the forecast has been spent year to date at 75% of the way through the financial year, there is potential for further slippage in remaining expenditure that could lead to reductions in forecasts across Q4.

The Management Accounting team will meet all directors in January to conduct a budget-setting for next year and in February to conduct a deep dive on this year's year end forecast.

Table 1 December Consolidated Management Accounts

December Consolidated Management Accounts	Year To Date - December				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Dec	Var	FC Nov	FC Dec	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
ICO Consolidated										
DP FEE INCOME	£50,680	£46,132	-£4,548	9%	£71,123	£65,355	-£5,768	£65,355	£65,355	£0
GRANT IN AID	£5,979	£5,979	£0	0%	£7,972	£7,972	£0	£7,972	£7,972	£0
OTHER GOVERNMENT FUNDING	£255	£279	£24	9%	£357	£354	-£3	£327	£354	£27
FINE RETENTION INCOME	£1,365	£1,285	-£80	6%	£1,820	£1,808	-£12	£1,808	£1,808	£0
REGULATORY PIONEERS FUND	£0	£0	£0	#DIV/0!	£0	£76	£76	£0	£76	£76
TOTAL INCOME	£58,279	£53,675	-£4,604	8%	£81,272	£75,566	-£5,706	£75,463	£75,566	£103
OFFICE COSTS	£3,967	£4,021	-£54	1%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£43,033	£41,768	£1,265	3%	£59,341	£57,109	£2,232	£58,673	£57,109	£1,565
TRAINING AND RECRUITMENT	£1,079	£1,018	£61	6%	£1,425	£1,404	£21	£1,404	£1,404	£0
IT COSTS	£3,943	£3,512	£431	11%	£5,286	£5,022	£264	£5,022	£5,022	£0
PROJECT SPEND	£2,663	£2,082	£581	22%	£3,329	£2,967	£362	£2,967	£2,967	£0
COMMUNICATIONS	£218	£192	£26	12%	£277	£332	-£56	£332	£332	£0
FINANCIAL COSTS	£119	£256	-£137	115%	£165	£219	-£54	£219	£219	£0
TRAVEL	£252	£303	-£51	20%	£361	£387	-£26	£387	£387	£0
LEGAL, PROFESSIONAL & OTHER	£2,675	£1,657	£1,018	38%	£3,659	£4,189	-£530	£3,808	£4,189	-£382
TOTAL COSTS	£57,949	£54,809	£3,140	5%	£79,374	£76,677	£2,696	£77,860	£76,677	£1,183
Capital Spend	£0	£536	-£536	#DIV/0!	£0	£1,302	-£1,302	£1,302	£1,302	£0
SURPLUS/(DEFICIT)	£330	-£1,670	-£2,000	606%	£1,898	-£2,413	-£4,311	-£3,700	-£2,413	£1,287

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, we recovered £161k more income, a variance of 0.4%.

The renewal rate for the month of December is 88.45% and the year to date renewal rate is 89.05% versus the revised KPI of 88.5%.

Acquisitions activity continued to progress well and in December we registered 15,408 new organisations bringing the year to date total to 151,251.

We therefore require a further circa 32,000 new registrations in the remaining 3 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	5,392,652	35,594,388	35,328,412	- 265,976
November	6,041,054	6,053,698	41,635,442	41,382,110	- 253,332
December	4,334,857	4,749,664	45,970,299	46,131,774	161,475
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 (£240K), 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 legal costs 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 legal costs incurred should be recovered from monetary penalty income, ensuring that these costs are not funded by fee-paying organisations. A fine income retention 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 legal costs. YTD the income expected to be recovered from fine income retention is £1,285k with a full year forecast of £1,808k.

Year to Date Expenditure

Staff Costs

As at December, Staff costs have underspent by £1,265k (2.94%). 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. The £1.7m reduction in forecast is based on actual run rate with some contingency, to reach a forecast in line with our expectations. The management accounts team will be working through the detail of this revised forecast with budget holders in January and February.

Non-Staff Costs

As at December, Non-staff costs have underspent £1,339k 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, 69% of the forecast has been spent year to date at 75% of the way through the financial year, there is potential for further slippage in remaining expenditure that could lead to reductions in forecasts across Q4.

Appendix 1 – 2022/23 Income & Expenditure by Directorate

December Consolidated Management Accounts	Year To Date - December				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Dec	Var	FC Nov	FC Dec	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	£3,967	£4,021	-£54	-1.36%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£24,818	£24,267	£551	2.22%	£33,607	£32,455	£1,152	£33,111	£32,455	£656
TRAINING AND RECRUITMENT	£1,049	£1,002	£47	4.48%	£1,382	£1,366	£16	£1,366	£1,366	£0
IT COSTS	£3,859	£3,497	£362	9.38%	£5,194	£4,927	£267	£4,927	£4,927	£0
PROJECT SPEND	£2,537	£2,082	£456	17.97%	£3,185	£2,967	£218	£2,967	£2,967	£0
COMMUNICATIONS	£186	£199	-£13	-6.99%	£249	£303	-£55	£303	£303	£0
FINANCIAL COSTS	£119	£242	-£123	-103.36%	£165	£198	-£33	£198	£198	£0
TRAVEL	£91	£176	-£84	-92.31%	£130	£185	-£55	£185	£185	£0
LEGAL, PROFESSIONAL & OTHER	£1,626	£1,441	£185	11.38%	£2,302	£2,294	£7	£2,289	£2,294	-£6
TOTAL COSTS	£38,252	£36,926	£1,326	3.47%	£51,743	£49,744	£1,999	£50,394	£49,744	£650
Capital Spend	£0	£536	-£536	#DIV/0!	£0	£1,227	-£1,227	£1,227	£1,227	£0
TOTAL COSTS	£38,252	£37,462	£790	2.07%	£51,743	£50,970	£773	£51,621	£50,970	£650

The forecast movement within the COO Executive is due to a reduction in forecast for staff vacancies.

December Consolidated Management Accounts	Year To Date - December				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Dec	Var	FC Nov	FC Dec	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	£14,382	£14,663	-£281	-1.95%	£20,186	£19,744	£442	£19,649	£19,744	-£95
TRAINING AND RECRUITMENT	£7	£1	£6	85.71%	£12	£8	£4	£8	£8	£0
IT COSTS	£9	£9	£0	0.00%	£12	£15	-£3	£15	£15	£0
PROJECT SPEND	£96	£0	£96	100.00%	£114	£0	£114	£0	£0	£0
COMMUNICATIONS	£24	£3	£20	83.33%	£18	£19	-£1	£19	£19	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£80	£83	-£4	-5.00%	£123	£131	-£8	£131	£131	£0
LEGAL, PROFESSIONAL & OTHER	£404	£53	£352	87.13%	£436	£675	-£238	£375	£675	-£300
TOTAL COSTS	£15,002	£14,813	£189	1.26%	£20,901	£20,592	£309	£20,197	£20,592	-£395
Capital Spend	£0	£0	£0	#DIV/0!	£0	£75	-£75	£75	£75	£0
TOTAL COSTS	£15,002	£14,813	£189	1.26%	£20,901	£20,667	£234	£20,272	£20,667	-£395

The movement in staff costs is due to changes in recruitment and vacancy assumptions across the directorate. £300k was added for consultancy relating to NIS.

December Consolidated Management Accounts	Year To Date - December				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Dec	Var	FC Nov	FC Dec	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	£4,190	£3,144	£1,046	24.96%	£5,804	£4,274	£1,530	£4,876	£4,274	£602
TRAINING AND RECRUITMENT	£23	£15	£9	39.13%	£31	£30	£1	£30	£30	£0
IT COSTS	£75	£6	£69	92.00%	£80	£80	£0	£80	£80	£0
PROJECT SPEND	£30	£0	£30	100.00%	£30	£0	£30	£0	£0	£0
COMMUNICATIONS	£8	-£10	£18	225.00%	£10	£10	£0	£10	£10	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£81	£44	£37	45.68%	£108	£71	£37	£71	£71	£0
LEGAL, PROFESSIONAL & OTHER	£645	£163	£482	74.73%	£921	£1,220	-£299	£1,144	£1,220	-£76
TOTAL COSTS	£5,052	£3,362	£1,690	33.45%	£6,985	£5,685	£1,299	£6,211	£5,685	£526
Capital Spend	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TOTAL COSTS	£5,052	£3,362	£1,690	33.45%	£6,985	£5,685	£1,299	£6,211	£5,685	£526

The movement in staff costs is due to changes in recruitment and vacancy assumptions in Technology and Innovation. £76k added for research in relation to additional Regulatory Pioneer's Fund.

December Consolidated Management Accounts	Year To Date - December				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Dec	Var	FC Nov	FC Dec	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
Corporate										
OFFICE COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
STAFF COSTS	-£357	-£306	-£51	14.29%	-£256	£636	-£892	£1,037	£636	£402
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	£21	£21	£0
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	-£357	-£292	-£65	18.21%	-£256	£657	-£913	£1,058	£657	£402
Capital Spend	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TOTAL COSTS	-£357	-£292	-£65	18.21%	-£256	£657	-£913	£1,058	£657	£402

The decrease in Staff Costs within Corporate reflects the dropping of the annual pay increase accrual due to the increase being reflected in staff pay within the directorates in December. The staff costs have also been updated to reflect the career band uplift in October's likely outturn.