

# Finance Report Summary, Financial Year 2022/23

## March 2023

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### Executive Summary

This report provides the March pre audited management accounts for 2022/23 which show a year end deficit of £581k, driven by a reduced DP fee income forecast. DSIT, our sponsorship department, provided cash to cover the deficit.

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 £65,355k, £5,768k below budget (8.1%). 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 outturn is £65,692k, a positive variance against the revised forecast of £337k (0.5%).

Full year expenditure is £3.1m underspent against the budget (after capitalisation), £2.5m in relation to staff costs and £0.5m in relation to non-staff costs. Staff Costs are below budget due to turnover savings. Non-staff variances mostly relate to underspends on Legal, professional and other costs.

The actual outturn is underspent by £0.7m against the forecast reported last month. Underspends arising from slippage on ERP and London office relocation Projects (£0.4m), Legal, Profession & other (£0.4m) and staff costs turnover savings (£0.3m) are offset by overspends on office costs (£0.4m).

More detail is provided below and a breakdown by directorate can be found in Appendix 1.

**Table 1 March Consolidated Management Accounts (pre-audited)**

March Consolidated Management Accounts	Year To Date - March				Full Year		
	Budget	Actual	Variance		Forecast Feb	Act	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's
ICO Consolidated							
DP FEE INCOME	£71,123	£65,692	-£5,431	-8%	£65,355	£65,692	£337
GRANT IN AID	£7,972	£7,972	£0	0%	£7,972	£7,972	£0
OTHER GOVERNMENT FUNDING	£357	£371	£14	4%	£357	£371	£14
FINE RETENTION INCOME	£1,820	£1,648	-£172	-9%	£1,951	£1,648	-£304
REGULATORY PIONEERS FUND	£0	£30	£30		£76	£30	-£46
<b>TOTAL INCOME</b>	<b>£81,272</b>	<b>£75,712</b>	<b>-£5,560</b>	<b>-7%</b>	<b>£75,711</b>	<b>£75,712</b>	<b>£1</b>
OFFICE COSTS	£5,531	£5,408	£123	2%	£5,048	£5,408	-£360
STAFF COSTS	£59,341	£56,810	£2,531	4%	£57,107	£56,810	£297
TRAINING AND RECRUITMENT	£1,425	£1,426	-£1	0%	£1,404	£1,426	-£22
IT COSTS	£5,286	£5,355	-£69	-1%	£5,022	£5,355	-£333
PROJECT SPEND	£3,329	£1,829	£1,500	45%	£2,767	£1,829	£938
COMMUNICATIONS	£277	£322	-£45	-16%	£332	£322	£11
FINANCIAL COSTS	£165	£211	-£46	-28%	£219	£211	£8
TRAVEL	£361	£448	-£87	-24%	£387	£448	-£62
LEGAL, PROFESSIONAL & OTHER	£3,659	£2,985	£674	18%	£3,422	£2,985	£437
<b>TOTAL COSTS</b>	<b>£79,374</b>	<b>£74,794</b>	<b>£4,580</b>	<b>6%</b>	<b>£75,708</b>	<b>£74,794</b>	<b>£914</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£1,499</b>	<b>-£1,499</b>		<b>£1,302</b>	<b>£1,499</b>	<b>-£198</b>
<b>SURPLUS/(DEFICIT)</b>	<b>£1,898</b>	<b>-£581</b>	<b>-£2,479</b>	<b>-131%</b>	<b>-£1,299</b>	<b>-£581</b>	<b>£718</b>

## 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 forecast 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 £0.3m more income, a variance of 0.5%.

The renewal rate for the year is 90.94% versus the revised KPI of 88.5%.

Acquisitions activity finished the financial year ahead of the KPI target. In March we registered 11,414 new organisations bringing the year's total to 185,424 versus the annual KPI of 182,724.

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

<b>Month</b>	<b>Forecast £</b>	<b>Actual £</b>	<b>Year to date Forecast £</b>	<b>Year to date actual £</b>	<b>Variance £</b>
<b>April</b>	4,445,499	4,550,010	4,445,499	4,550,010	104,511
<b>May</b>	5,592,541	5,074,280	10,038,040	9,624,290	- 413,750
<b>June</b>	5,394,798	4,881,690	15,432,838	14,505,980	- 926,858
<b>July</b>	5,553,398	4,959,122	20,986,236	19,465,102	-1,521,134
<b>August</b>	6,008,001	5,124,528	26,994,237	24,589,630	-2,404,607
<b>Reprofile Forecast</b>			24,589,630	24,589,630	-
<b>September</b>	5,344,116	5,346,130	29,933,746	29,935,760	2,014
<b>October</b>	5,660,642	5,392,652	35,594,388	35,328,412	- 265,976
<b>November</b>	6,041,054	6,053,698	41,635,442	41,382,110	- 253,332
<b>December</b>	4,334,857	4,749,664	45,970,299	46,131,774	161,475
<b>January</b>	5,261,453	6,265,388	51,231,753	52,397,162	1,165,409
<b>February</b>	6,455,876	6,400,011	57,687,629	58,797,173	1,109,544
<b>March</b>	7,667,773	6,894,948	65,355,402	65,692,121	336,719

### 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 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 the legal costs incurred should be recovered from monetary penalty income, ensuring that these costs are not funded by fee-paying organisations. A similar cost recovery model is in practice at other UK regulators. This was 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. This year the income retained is £1,648k.

## **Full Year Expenditure against Budget**

The end of year position shows an underspend against budget totalling £3.1m, including Capital. Most of this underspend is within Staff Costs and Legal & Professional Services costs (the Project Costs and Capital movements offset each other) for which more information is detailed below:

### **Staff Costs**

At year end, Staff costs are underspent against budget by £2.5m (4%). The staffing budget was set based on actual costs of staff in post plus an anticipated profile of vacancies being filled. The underspend is driven by a deviation in these assumptions, primarily around the recruitment to vacancies.

### **Non-Staff Costs**

At year end, Non-staff costs are underspent vs budget by £550k. Non-staff variances mostly relate to Legal, profession and other costs (£674k). This is driven by underspends in:

- Research (£465k) in Regulatory Futures due to capacity in the market research function, and;
- Professional services (£283k) across the organisation.

## **Full Year Expenditure against Forecast**

The full year expenditure outturn is a reduction in expenditure of £720k from the forecast reported to the Resources Board last month. The underspends are analysed at Executive Team in Appendix 1.

## Appendix 1 – 2022/23 Income & Expenditure by Directorate

March Consolidated Management Accounts	Year To Date – March				Full Year		
	Budget	Actual	Variance		Forecast	Act	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's
Chief Operating Officer Executive							
OFFICE COSTS	£5,531	£5,408	£123	2.22%	£5,048	£5,408	-£360
STAFF COSTS	£33,607	£32,976	£631	1.88%	£32,793	£32,976	-£183
TRAINING AND RECRUITMENT	£1,382	£1,400	-£18	-1.30%	£1,366	£1,400	-£34
IT COSTS	£5,194	£5,333	-£140	-2.70%	£4,927	£5,333	-£406
PROJECT SPEND	£3,185	£1,829	£1,356	42.57%	£2,767	£1,829	£938
COMMUNICATIONS	£249	£280	-£31	-12.45%	£303	£280	£24
FINANCIAL COSTS	£165	£179	-£14	-8.48%	£198	£179	£19
TRAVEL	£130	£264	-£134	-103.08%	£185	£264	-£79
LEGAL, PROFESSIONAL & OTHER	£2,302	£2,127	£175	7.60%	£2,294	£2,127	£167
<b>TOTAL COSTS</b>	<b>£51,743</b>	<b>£49,794</b>	<b>£1,949</b>	<b>3.77%</b>	<b>£49,882</b>	<b>£49,794</b>	<b>£88</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£1,424</b>	<b>-£1,424</b>	<b>#DIV/0!</b>	<b>£1,227</b>	<b>£1,424</b>	<b>-£198</b>
<b>TOTAL COSTS</b>	<b>£51,743</b>	<b>£51,218</b>	<b>£525</b>	<b>1.01%</b>	<b>£51,108</b>	<b>£51,218</b>	<b>-£110</b>

Actual outturn is £0.5m better than budget due to turnover savings on staff costs.

There is a £0.1m negative variance on actual outturn vs forecast due to various under and overspends including £0.4m underspends from slippage on ERP and London office relocation offsetting overspends on office costs (£0.4m) and IT costs (£0.1m).

March Consolidated Management Accounts	Year To Date - March				Full Year		
	Budget	Actual	Variance		Forecast	Act	Var
	£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
STAFF COSTS	£20,186	£19,695	£491	2.43%	£19,640	£19,695	-£55
TRAINING AND RECRUITMENT	£12	£1	£11	91.67%	£8	£1	£7
IT COSTS	£12	£15	-£3	-25.00%	£15	£15	£0
PROJECT SPEND	£114	£0	£114	100.00%	£0	£0	£0
COMMUNICATIONS	£18	£9	£9	50.00%	£19	£9	£10
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0
TRAVEL	£123	£120	£2	1.63%	£131	£120	£10
LEGAL, PROFESSIONAL & OTHER	£436	£425	£12	2.75%	£475	£425	£50
<b>TOTAL COSTS</b>	<b>£20,901</b>	<b>£20,266</b>	<b>£635</b>	<b>3.04%</b>	<b>£20,288</b>	<b>£20,266</b>	<b>£22</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£75</b>	<b>-£75</b>	<b>#DIV/0!</b>	<b>£75</b>	<b>£75</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>£20,901</b>	<b>£20,341</b>	<b>£560</b>	<b>2.68%</b>	<b>£20,363</b>	<b>£20,341</b>	<b>£22</b>

Actual outturn is £0.6m below budget due to turnover savings on staff costs.

Actual spend is in line with the P11 forecast.

March Consolidated Management Accounts	Year To Date - March				Full Year		
	Budget	Actual	Variance		Forecast	Act	Var
	£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
STAFF COSTS	£5,804	£4,445	£1,359	23.41%	£4,503	£4,445	£58
TRAINING AND RECRUITMENT	£31	£25	£6	19.35%	£30	£25	£5
IT COSTS	£80	£7	£73	91.25%	£80	£7	£73
PROJECT SPEND	£30	£0	£30	100.00%	£0	£0	£0
COMMUNICATIONS	£10	£33	-£23	-230.00%	£10	£33	-£23
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0
TRAVEL	£108	£64	£44	40.74%	£71	£64	£7
LEGAL, PROFESSIONAL & OTHER	£921	£433	£488	52.99%	£653	£433	£220
<b>TOTAL COSTS</b>	<b>£6,985</b>	<b>£5,006</b>	<b>£1,978</b>	<b>28.32%</b>	<b>£5,348</b>	<b>£5,006</b>	<b>£341</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>#DIV/0!</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>£6,985</b>	<b>£5,006</b>	<b>£1,978</b>	<b>28.32%</b>	<b>£5,348</b>	<b>£5,006</b>	<b>£341</b>

Actual spend is £2m below budget due to Staff costs turnover savings and savings on Legal, Professional & Other due to capacity in the market research function.

The movement between P11 forecast and actual outturn is £0.3m mostly due to savings on Legal, Professional & Other.



March Consolidated Management Accounts	Year To Date - March				Full Year		
	Budget	Actual	Variance		Forecast	Act	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's
Corporate							
OFFICE COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0
STAFF COSTS	-£256	-£306	£50	-19.53%	£171	-£306	£477
TRAINING AND RECRUITMENT	£0	£0	£0	#DIV/0!	£0	£0	£0
IT COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0
PROJECT SPEND	£0	£0	£0	#DIV/0!	£0	£0	£0
COMMUNICATIONS	£0	£0	£0	#DIV/0!	£0	£0	£0
FINANCIAL COSTS	£0	£32	-£32	#DIV/0!	£21	£32	-£11
TRAVEL	£0	£0	£0	#DIV/0!	£0	£0	£0
LEGAL, PROFESSIONAL & OTHER	£0	£0	£0	#DIV/0!	£0	£0	£0
<b>COSTS</b>	<b>-£256</b>	<b>-£274</b>	<b>£18</b>	<b>-7.03%</b>	<b>£192</b>	<b>-£274</b>	<b>£466</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>#DIV/0!</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>-£256</b>	<b>-£274</b>	<b>£18</b>	<b>-7.03%</b>	<b>£192</b>	<b>-£274</b>	<b>£466</b>

Outturn is broadly in line with budget.

The decrease in Staff Costs compared to forecast within Corporate reflects the dropping of the pay increase accrual due to the increase being reflected in staff pay within the individual directorates. The staff costs have also been updated to reflect the career band uplift in October's actual outturn in the March pay. Turnover saving target forecast was met in Q3.