

# Finance Report Summary, Financial Year 2022/23

## August 2022

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### Executive Summary

This report provides the August management accounts for 2022/23 which show a forecast year end deficit of £4.4m, 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. For the ICO25 project we have sought agreement from DCMS to allow us to draw upon ICO Reserves to fund this as expenditure arises.

YTD the income position for DP Fee income is currently £2.4m below the budgeted profile. In month we have reviewed the Fee income assumptions, this review has taken place as soon as was possible in the financial year, once the relevant data and performance on fee income campaigns was available. As a result of this review, we have reduced the forecast DP Fee income by £6.1m (8.6%). Income will continue to be monitored closely in upcoming months to determine if the new assumptions need to be reviewed. The fee income is being 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 review has been completed which has reduced the forecast expenditure by a net £0.5m from the July forecast, however this remains £0.1m overspent in comparison to budget. The expenditure has now also been reviewed to determine the split of revenue and capital expenditure.

A breakdown by directorate can be found in Appendix 1. In month there has been significant movements in the forecast for Staff Costs in Corporate with the staff turnover target increasing by £0.6m, to £1.5m, to reflect optimism in the forecast for M7-12 recruitment. There have also been significant movements in Office Costs, Project Cost and IT Costs in the Chief Operating Officer directorate to reflect YTD and forecast expenditure which can be capitalised.

The year-to-date expenditure is reporting as £1.9m underspent against the budgeted profile. The Staff Costs underspend has been offset in the full year financial forecast by a reduction in the turnover savings target set at budget. Non-staff variances are driven by underspends in Project Costs and IT with slippage in the timing of ERP as well as underspends in Software Licencing. There is also an adjustment in Project Spend for Capital spend. Based on the burn rate of expenditure to date, there is likely optimism in the future forecasts and therefore likelihood that expenditure forecasts will reduce further across Q3.

**Table 1 August Consolidated Management Accounts**

Table 1 August Consolidated Management Accounts	Year To Date - August				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Aug	Var	FC Jul	FC Aug	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
DP FEE INCOME	£26,994	£24,590	-£2,404	-8.9%	£71,123	£65,009	-£6,114	£71,123	£65,009	-£6,114
GRANT IN AID	£3,322	£3,322	£0	0.0%	£7,972	£7,972	£0	£7,972	£7,972	£0
OTHER GOVERNMENT FUNDING	£120	£119	-£1	-1.3%	£357	£327	-£30	£357	£327	-£30
FINE RETENTION INCOME	£758	£635	-£123	-16.3%	£1,820	£1,808	-£12	£1,791	£1,808	£17
<b>TOTAL INCOME</b>	<b>£31,194</b>	<b>£28,666</b>	<b>-£2,528</b>	<b>-8.1%</b>	<b>£81,272</b>	<b>£75,116</b>	<b>-£6,156</b>	<b>£81,243</b>	<b>£75,116</b>	<b>-£6,127</b>
OFFICE COSTS	£1,898	£1,738	£160	8.4%	£5,531	£5,048	£483	£5,569	£5,048	£521
STAFF COSTS	£23,042	£22,649	£393	1.7%	£59,341	£58,791	£550	£59,341	£58,791	£551
TRAINING AND RECRUITMENT	£613	£614	-£1	-0.2%	£1,425	£1,404	£21	£1,490	£1,404	£87
IT COSTS	£2,116	£1,793	£323	15.3%	£5,286	£5,156	£130	£5,223	£5,156	£67
PROJECT SPEND	£1,187	£448	£739	62.3%	£3,329	£3,102	£227	£3,405	£3,102	£302
COMMUNICATIONS	£108	£127	-£20	-18.5%	£277	£332	-£56	£313	£332	-£19
FINANCIAL COSTS	£69	£55	£14	20.3%	£165	£198	-£33	£218	£198	£20
TRAVEL	£128	£129	-£1	-0.8%	£361	£383	-£22	£395	£383	£12
LEGAL, PROFESSIONAL & OTHER	£981	£701	£280	28.5%	£3,659	£4,014	-£354	£4,030	£4,014	£16
<b>TOTAL COSTS</b>	<b>£30,142</b>	<b>£28,254</b>	<b>£1,887</b>	<b>6.3%</b>	<b>£79,374</b>	<b>£78,428</b>	<b>£946</b>	<b>£79,984</b>	<b>£78,428</b>	<b>£1,557</b>
CAPITAL SPEND	£0	£360	-£360	#DIV/0!	£0	£1,063	-£1,063	£0	£1,063	-£1,063
<b>SURPLUS/ (DEFICIT)</b>	<b>£1,052</b>	<b>£52</b>	<b>-£1,000</b>	<b>-95.1%</b>	<b>£1,898</b>	<b>-£4,375</b>	<b>-£6,273</b>	<b>£1,259</b>	<b>-£4,375</b>	<b>-£5,634</b>

## Income

### DP Fee Income

In August we recovered £883k less income than budgeted profile with a year-to-date variance of £2.4m. This is mainly due to the renewal rate which year to date is running at 88.55% versus the KPI of 95% - this represents a shortfall in renewals of circa 26,500. YTD this puts the actual income recovered behind profile by £1m.

Acquisitions which had new campaigns starting in July have YTD signed up 55,935 from a target of 95,000 YTD. The shortfall of 39,065 new acquisitions equates to around £1.4m of new income.

The Business Services team are expanding the renewal follow up activity throughout the year to drive an increase in the current renewal rate. New acquisitions campaigns are also planned with the aim of increasing income.

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

Following a review of the assumptions that determined the profile of 2022/23 DP Fee Income, we are now forecasting an under recovery of £6.1m. We will continue to monitor the actuals against this new forecast to determine if further adjustments in the assumptions is required.

**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	0
<b>September</b>	5,906,903		30,496,533		
<b>October</b>	5,909,338		36,405,871		
<b>November</b>	5,779,171		42,185,042		
<b>December</b>	4,270,859		46,455,901		
<b>January</b>	5,509,273		51,965,175		
<b>February</b>	6,015,349		57,980,523		
<b>March</b>	7,028,870		65,009,394		

## 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 £635k with a full year forecast of £1,808k.

## **Year to Date Expenditure**

### **Staff Costs**

As at August, Staff costs have underspent by £393k (1.7%). The staffing budget was set based on actual costs of staff in post plus an anticipated profile of vacancies being filled. Staff costs YTD have delivered a small underspend driven by deviation in these assumptions primarily around the recruitment to vacancies.

### **Non-Staff Costs**

As at June, Non-staff costs have underspent £1,527k. The non-staff budget has now been profiled based on forecast across the financial year. These variances relate to slippage from that forecast in IT Costs and Project Spend and it is likely that there remains optimism in the future forecasts that will also result in further forecast reductions.

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

August Consolidated Management Accounts	Year To Date - August				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Aug	Var	FC Jul	FC Aug	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	£1,898	£1,738	£160	8.43%	£5,531	£5,048	£483	£5,569	£5,048	£521
STAFF COSTS	£13,577	£13,347	£230	1.69%	£33,607	£33,684	-£77	£33,813	£33,684	£129
TRAINING AND RECRUITMENT	£597	£599	-£2	-0.34%	£1,382	£1,366	£16	£1,454	£1,366	£88
IT COSTS	£2,103	£1,781	£322	15.31%	£5,194	£5,091	£103	£5,158	£5,091	£67
PROJECT SPEND	£1,187	£448	£739	62.26%	£3,185	£2,958	£227	£3,261	£2,958	£302
COMMUNICATIONS	£104	£126	-£23	-22.12%	£249	£303	-£55	£285	£303	-£18
FINANCIAL COSTS	£69	£55	£14	20.29%	£165	£198	-£33	£218	£198	£20
TRAVEL	£45	£71	-£26	-57.78%	£130	£181	-£51	£151	£181	-£30
LEGAL, PROFESSIONAL & OTHER	£838	£629	£209	24.94%	£2,302	£2,339	-£37	£2,321	£2,339	-£18
<b>TOTAL COSTS</b>	<b>£20,419</b>	<b>£18,795</b>	<b>£1,623</b>	<b>7.95%</b>	<b>£51,743</b>	<b>£51,168</b>	<b>£575</b>	<b>£52,230</b>	<b>£51,168</b>	<b>£1,061</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£360</b>	<b>-£360</b>	<b>#DIV/0!</b>	<b>£0</b>	<b>£1,063</b>	<b>-£1,063</b>	<b>£0</b>	<b>£1,063</b>	<b>-£1,063</b>
<b>TOTAL COSTS</b>	<b>£20,419</b>	<b>£19,155</b>	<b>£1,263</b>	<b>6.19%</b>	<b>£51,743</b>	<b>£52,231</b>	<b>-£488</b>	<b>£52,230</b>	<b>£52,231</b>	<b>-£1</b>

The forecast movement within the COO Executive is minimal in month with the largest change being recognition of capital within the forecast leading to reductions in:

- Office costs for the London move including furniture, fit-out, legal and IT costs which can now be capitalised.
- Project costs for Dynamic User interface and WAN replacement already spent in expenditure which can also be capitalised.

August Consolidated Management Accounts	Year To Date - August				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Aug	Var	FC Jul	FC Aug	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	£7,851	£7,941	-£90	-1.15%	£20,186	£19,783	£403	£19,824	£19,783	£42
TRAINING AND RECRUITMENT	£3	£1	£2	66.67%	£12	£8	£4	£8	£8	£1
IT COSTS	£5	£6	-£1	-20.00%	£12	£15	-£3	£15	£15	£0
PROJECT SPEND	£0	£0	£0	#DIV/0!	£114	£114	£0	£114	£114	£0
COMMUNICATIONS	£0	£1	-£1	#DIV/0!	£18	£19	-£1	£18	£19	-£1
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£38	£37	£1	2.63%	£123	£131	-£8	£132	£131	£1
LEGAL, PROFESSIONAL & OTHER	£32	£34	-£2	-6.25%	£436	£565	-£128	£587	£565	£22
<b>TOTAL COSTS</b>	<b>£7,930</b>	<b>£8,021</b>	<b>-£91</b>	<b>-1.15%</b>	<b>£20,901</b>	<b>£20,634</b>	<b>£267</b>	<b>£20,699</b>	<b>£20,634</b>	<b>£64</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>£0</b>	<b>£0</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>£7,930</b>	<b>£8,021</b>	<b>-£91</b>	<b>-1.15%</b>	<b>£20,901</b>	<b>£20,634</b>	<b>£267</b>	<b>£20,699</b>	<b>£20,634</b>	<b>£64</b>

August Consolidated Management Accounts	Year To Date - August				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Aug	Var	FC Jul	FC Aug	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	£2,060	£1,667	£393	19.08%	£5,804	£5,236	£568	£5,297	£5,236	£61
TRAINING AND RECRUITMENT	£13	£14	-£1	-7.69%	£31	£30	£1	£28	£30	-£2
IT COSTS	£8	£6	£2	25.00%	£80	£50	£30	£50	£50	£0
PROJECT SPEND	£0	£0	£0	#DIV/0!	£30	£30	£0	£30	£30	£0
COMMUNICATIONS	£4	£0	£4	100.00%	£10	£10	£0	£10	£10	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£45	£21	£24	53.33%	£108	£71	£37	£112	£71	£41
LEGAL, PROFESSIONAL & OTHER	£111	£38	£73	65.77%	£921	£1,110	-£189	£1,122	£1,110	£12
<b>TOTAL COSTS</b>	<b>£2,242</b>	<b>£1,746</b>	<b>£496</b>	<b>22.12%</b>	<b>£6,985</b>	<b>£6,537</b>	<b>£448</b>	<b>£6,649</b>	<b>£6,537</b>	<b>£112</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>£0</b>	<b>£0</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>£2,242</b>	<b>£1,746</b>	<b>£496</b>	<b>22.12%</b>	<b>£6,985</b>	<b>£6,537</b>	<b>£448</b>	<b>£6,649</b>	<b>£6,537</b>	<b>£112</b>

August Consolidated Management Accounts	Year To Date - August				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Aug	Var	FC Jul	FC Aug	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	-£446	-£306	-£140	31.39%	-£256	£88	-£344	£407	£88	£319
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	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£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
<b>COSTS</b>	<b>-£446</b>	<b>-£306</b>	<b>-£140</b>	<b>31.39%</b>	<b>-£256</b>	<b>£88</b>	<b>-£344</b>	<b>£407</b>	<b>£88</b>	<b>£319</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>£0</b>	<b>£0</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>-£446</b>	<b>-£306</b>	<b>-£140</b>	<b>31.39%</b>	<b>-£256</b>	<b>£88</b>	<b>-£344</b>	<b>£407</b>	<b>£88</b>	<b>£319</b>

The change in forecast in the Corporate directorate in month is a reduction in the staffing forecast spend due to an increase in the staff turnover target by £600k to take this to £1,500k, to offset the optimism in directorate staff costs forecasts.