

# Finance Report Summary, Financial Year 2022/23

## January 2023

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### Executive Summary

This report provides the January management accounts for 2022/23 which show a forecast year end deficit of £2.1m, 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 £4.8m below the original budgeted profile, however since the forecast was reset at Q2, the variance to forecast over the past three months is positive £1.2m (2.3%). 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 was reported to DCMS, our sponsorship department, early in the financial year.

The financial expenditure forecast is £1.7m underspent. A breakdown by directorate can be found in Appendix 1.

Year to date expenditure is reporting as £3.6m underspent against the budgeted profile, £1.5m in relation to staff costs and £2.1m 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. We expect to make savings beyond that target so the forecast is now £1.6m under budget.

Non-staff variances year to date mostly relate to slippage from original budget, although underspends have been forecast within Software Licencing (IT Costs), Office Costs, Project Costs, and Legal, professional and other costs.

**Table 1 January Consolidated Management Accounts**

January Consolidated Management Accounts	Year To Date - January				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Jan	Var	FC Dec	FC Jan	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
ICO Consolidated										
DP FEE INCOME	£57,160	£52,397	-£4,763	-8%	£71,123	£65,355	-£5,768	£65,355	£65,355	£0
GRANT IN AID	£6,643	£6,643	£0	0%	£7,972	£7,972	£0	£7,972	£7,972	-£0
OTHER GOVERNMENT FUNDING	£289	£290	£1	0%	£357	£259	-£98	£354	£259	-£95
FINE RETENTION INCOME	£1,517	£1,456	-£61	-4%	£1,820	£1,948	£128	£1,808	£1,948	£140
REGULATORY PIONEERS FUND	£0	£0	£0	#DIV/0!	£0	£76	£76	£76	£76	-£0
<b>TOTAL INCOME</b>	<b>£65,609</b>	<b>£60,786</b>	<b>-£4,823</b>	<b>-7%</b>	<b>£81,272</b>	<b>£75,611</b>	<b>-£5,661</b>	<b>£75,566</b>	<b>£75,611</b>	<b>£45</b>
OFFICE COSTS	£4,446	£4,456	-£10	0%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£48,081	£46,586	£1,495	3.11%	£59,341	£57,700	£1,641	£57,109	£57,700	-£591
TRAINING AND RECRUITMENT	£1,191	£1,108	£83	7%	£1,425	£1,404	£21	£1,404	£1,404	£0
IT COSTS	£4,385	£4,186	£199	5%	£5,286	£5,022	£264	£5,022	£5,022	£0
PROJECT SPEND	£2,937	£1,744	£1,193	41%	£3,329	£2,767	£562	£2,967	£2,767	£200
COMMUNICATIONS	£240	£233	£7	3%	£277	£332	-£56	£332	£332	£0
FINANCIAL COSTS	£143	£117	£26	18%	£165	£219	-£54	£219	£219	£0
TRAVEL	£282	£344	-£62	-22%	£361	£387	-£26	£387	£387	£0
LEGAL, PROFESSIONAL & OTHER	£3,049	£1,844	£1,205	40%	£3,659	£3,496	£163	£4,189	£3,496	£693
<b>TOTAL COSTS</b>	<b>£64,754</b>	<b>£60,618</b>	<b>£4,136</b>	<b>6%</b>	<b>£79,374</b>	<b>£76,375</b>	<b>£2,998</b>	<b>£76,677</b>	<b>£76,375</b>	<b>£302</b>
Capital Spend	£0	£536	-£536	#DIV/0!	£0	£1,302	-£1,302	£1,302	£1,302	£0
<b>SURPLUS/(DEFICIT)</b>	<b>£855</b>	<b>-£368</b>	<b>-£1,223</b>	<b>-143%</b>	<b>£1,898</b>	<b>-£2,066</b>	<b>-£3,964</b>	<b>-£2,413</b>	<b>-£2,066</b>	<b>£347</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 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 January is 89.28% and the year to date renewal rate is 89.15% versus the revised KPI of 88.5%.

Acquisitions activity continued to progress well and in January we registered 12,840 new organisations bringing the year to date total to 164,091.

We therefore require a further circa 19,000 new registrations in the remaining 2 months of the year.

**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		57,687,629		
<b>March</b>	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. We are forecasting a £97k underspend on the NIS ringfenced funding which will reduce income by £97k.

## 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 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 recovered is £1,456k with a full year forecast of £1,948k.

## Year to Date Expenditure

### **Staff Costs**

As at January, Staff costs are underspent by £1.5m (3.1%). 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 January, Non-staff costs are underspent by £2.1m. Non-staff variances year to date mostly relate to slippage from original budget, although underspends have been forecast in Office, IT, Projects and Legal, profession and other costs. However, based on the burn rate of expenditure to date for non-staff costs, 73% of the forecast has been spent year to date at 83% of the way through the financial year, there is potential for further slippage in remaining expenditure that could lead to reductions in the forecast during Q4.

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

January Consolidated Management Accounts	Year To Date - January				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Jan	Var	FC Dec	FC Jan	Var
Chief Operating Officer Executive	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
OFFICE COSTS	£4,446	£4,456	-£10	-0.22%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£27,647	£27,058	£590	2.13%	£33,607	£32,847	£760	£32,455	£32,847	-£391
TRAINING AND RECRUITMENT	£1,157	£1,092	£64	5.53%	£1,382	£1,366	£16	£1,366	£1,366	£0
IT COSTS	£4,298	£4,169	£129	3.00%	£5,194	£4,927	£267	£4,927	£4,927	£0
PROJECT SPEND	£2,805	£1,744	£1,060	37.79%	£3,185	£2,767	£418	£2,967	£2,767	£200
COMMUNICATIONS	£207	£234	-£27	-13.04%	£249	£303	-£55	£303	£303	£0
FINANCIAL COSTS	£143	£117	£26	18.18%	£165	£198	-£33	£198	£198	£0
TRAVEL	£102	£204	-£102	-100.00%	£130	£185	-£55	£185	£185	£0
LEGAL, PROFESSIONAL & OTHER	£1,921	£1,607	£314	16.35%	£2,302	£2,294	£7	£2,294	£2,294	£0
<b>TOTAL COSTS</b>	<b>£42,725</b>	<b>£40,681</b>	<b>£2,045</b>	<b>4.79%</b>	<b>£51,743</b>	<b>£49,935</b>	<b>£1,808</b>	<b>£49,744</b>	<b>£49,935</b>	<b>-£191</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£536</b>	<b>-£536</b>	<b>100.00%</b>	<b>£0</b>	<b>£1,227</b>	<b>-£1,227</b>	<b>£1,227</b>	<b>£1,227</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>£42,725</b>	<b>£41,217</b>	<b>£1,509</b>	<b>3.53%</b>	<b>£51,743</b>	<b>£51,162</b>	<b>£581</b>	<b>£50,970</b>	<b>£51,162</b>	<b>-£191</b>

The forecast movement within the COO Executive is due to identifying £200k double counting of FOI dispute resolution training in the forecast. Also, £391k increase in staff costs forecast is due to the expected time to fill vacancies being quicker than forecast last month.

January Consolidated Management Accounts	Year To Date - January				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Jan	Var	FC Dec	FC Jan	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	0%	£0	£0	£0	£0	£0	£0
STAFF COSTS	£16,030	£16,312	-£282	-1.76%	£20,186	£19,670	£517	£19,744	£19,670	£74
TRAINING AND RECRUITMENT	£8	£1	£7	87.50%	£12	£8	£4	£8	£8	£0
IT COSTS	£10	£11	-£1	-10.00%	£12	£15	-£3	£15	£15	£0
PROJECT SPEND	£102	£0	£102	100.00%	£114	£0	£114	£0	£0	£0
COMMUNICATIONS	£25	£9	£16	64.00%	£18	£19	-£1	£19	£19	£0
FINANCIAL COSTS	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
TRAVEL	£90	£94	-£4	-4.44%	£123	£131	-£8	£131	£131	£0
LEGAL, PROFESSIONAL & OTHER	£407	£61	£346	85.01%	£436	£475	-£38	£675	£475	£200
<b>TOTAL COSTS</b>	<b>£16,672</b>	<b>£16,487</b>	<b>£185</b>	<b>1.11%</b>	<b>£20,901</b>	<b>£20,317</b>	<b>£584</b>	<b>£20,592</b>	<b>£20,317</b>	<b>£274</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>0%</b>	<b>£0</b>	<b>£75</b>	<b>-£75</b>	<b>£75</b>	<b>£75</b>	<b>£0</b>
<b>TOTAL COSTS</b>	<b>£16,672</b>	<b>£16,487</b>	<b>£185</b>	<b>1.11%</b>	<b>£20,901</b>	<b>£20,392</b>	<b>£509</b>	<b>£20,667</b>	<b>£20,392</b>	<b>£274</b>

The movement in the staff costs forecast is due to changes in recruitment and vacancy assumptions across the directorate. Legal, professional & other forecast is £200k lower due to Dispute resolution training being delayed to 2023/24.

January Consolidated Management Accounts	Year To Date - January				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Jan	Var	FC Dec	FC Jan	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	0%	£0	£0	£0	£0	£0	£0
STAFF COSTS	£4,728	£3,522	£1,206	25.51%	£5,804	£4,519	£1,284	£4,274	£4,519	-£246
TRAINING AND RECRUITMENT	£26	£15	£11	42.31%	£31	£30	£1	£30	£30	£0
IT COSTS	£77	£6	£70	90.91%	£80	£80	£0	£80	£80	£0
PROJECT SPEND	£30	£0	£30	100.00%	£30	£0	£30	£0	£0	£0
COMMUNICATIONS	£8	-£10	£19	237.50%	£10	£10	£0	£10	£10	£0
FINANCIAL COSTS	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
TRAVEL	£90	£46	£44	48.89%	£108	£71	£37	£71	£71	£0
LEGAL, PROFESSIONAL & OTHER	£721	£176	£545	75.59%	£921	£727	£194	£1,220	£727	£493
<b>TOTAL COSTS</b>	<b>£5,680</b>	<b>£3,755</b>	<b>£1,925</b>	<b>33.89%</b>	<b>£6,985</b>	<b>£5,438</b>	<b>£1,547</b>	<b>£5,685</b>	<b>£5,438</b>	<b>£247</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>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>£5,680</b>	<b>£3,755</b>	<b>£1,925</b>	<b>33.89%</b>	<b>£6,985</b>	<b>£5,438</b>	<b>£1,547</b>	<b>£5,685</b>	<b>£5,438</b>	<b>£247</b>

The movement in staff costs is due to vacancies being filled quicker than expected over the rest of the financial year.

Legal, professional and other forecast is underspending due to capacity in the market research function as well as small savings identified across the directorate.

January Consolidated Management Accounts	Year To Date - January				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Jan	Var	FC Dec	FC Jan	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	0%	£0	£0	£0	£0	£0	£0
STAFF COSTS	-£324	-£306	-£18	5.56%	-£256	£664	-£920	£636	£664	-£28
TRAINING AND RECRUITMENT	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
IT COSTS	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
PROJECT SPEND	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
COMMUNICATIONS	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
FINANCIAL COSTS	£0	£0	£0	0%	£0	£21	-£21	£21	£21	£0
TRAVEL	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
LEGAL, PROFESSIONAL & OTHER	£0	£0	£0	0%	£0	£0	£0	£0	£0	£0
<b>COSTS</b>	<b>-£324</b>	<b>-£306</b>	<b>-£17</b>	<b>5.25%</b>	<b>-£256</b>	<b>£685</b>	<b>-£941</b>	<b>£657</b>	<b>£685</b>	<b>-£28</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>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>-£324</b>	<b>-£306</b>	<b>-£17</b>	<b>5.25%</b>	<b>-£256</b>	<b>£685</b>	<b>-£941</b>	<b>£657</b>	<b>£685</b>	<b>-£28</b>

The decrease in Staff Costs within Corporate reflects the dropping of the pay increase accrual due to the increase being reflected in staff pay within the directorates. Only the element of the pay increase relating to February and March is being carried. The staff costs have also been updated to reflect the career band uplift in October's likely outturn, with the accrual being dropped. Turnover saving credit forecast was met in Q3 and is now £0 in the forecast.