

Finance Report Summary, Financial Year 2022/23

May 2022

Executive Summary

This report provides the May management accounts for 2022/23. Table 1 in this report provides the summary position at a consolidated level.

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. YTD the income position for DP Fee income is £0.4m behind the budgeted profile. The DP Income assumptions and forecasts will be reviewed ahead of Q2 to ensure that the budget remains achievable. This gives time for the renewals and acquisitions campaigns to have an impact.

A financial expenditure forecast review has been completed with the key area of focus being on the Staff Costs position as this is the most significant area of expenditure for the ICO. In addition, following approval at Resources Board last month, the forecast has been increased to accommodate key commitments and objectives of the ICO including

- Funding to complete an evaluation of the Children's Code which is a mandatory regulatory requirement,
- Initial funding to support the London Accommodation project which is in progress
- Funding to support our joint programme of work commitments for 2022/23 as part of the Digital Regulation Cooperation Forum.

The revised full year forecast position for expenditure is £79,791k, a £418k increase from budget. A breakdown by directorate can be found in Appendix 1.

The year to date expenditure is reporting as £1.4m underspent against the budgeted profile. Staff Costs underspends have been offset in the full year financial forecast by a reduction in the turnover savings target set at budget. With regards to Non-Staff costs, the year to date variances are due to timing as the budget profile was set evenly across the financial year, whereby the actual costs will be more seasonal in nature. This particularly impacts the variances within Office Costs (postage costs specifically linked to Business Services campaigns), Project Costs and Legal, Professional and Other costs. The Finance team will be working to reprofile the budget to ensure that we can complete more accurate analysis of year to date movements in future months.

There are a number of business cases that were submitted during the business planning cycle to deliver the ICO's business objectives for 2022/23 which have not yet been approved, as well as further business cases in the pipeline for a Legal target operating model review, and a Chief Data Officer target operating model review. 2022/23 financial performance will continue to be monitored to ensure budgetary assumptions are tracking to target, with business cases being approved on a priority basis during the course of the financial year.

Table 1 May Consolidated Management Accounts

Table 1 May Consolidated Management Accounts	Year To Date - May				Full Year		
	Budget	Actual	Variance		Forecast April	Forecast May	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's
DP FEE INCOME	£10,038	£9,624	-£414	4.1%	£71,123	£71,123	£0
GRANT IN AID	£1,329	£1,329	£0	0.0%	£7,972	£7,972	£0
OTHER GOVERNMENT FUNDING	£0	£2	£2		£357	£357	£0
FINE RETENTION INCOME	£303	£0	-£303	100.0%	£1,820	£1,820	£0
TOTAL INCOME	£11,670	£10,955	-£715	6.1%	£81,272	£81,272	£0
OFFICE COSTS	£922	£515	£407	44.1%	£5,531	£5,590	-£60
STAFF COSTS	£8,947	£8,833	£114	1.3%	£59,341	£59,341	£0
TRAINING AND RECRUITMENT	£256	£227	£29	11.3%	£1,425	£1,423	£3
IT COSTS	£893	£629	£265	29.7%	£5,361	£5,350	£11
PROJECT SPEND	£527	£280	£246	46.7%	£3,254	£3,361	-£107
COMMUNICATIONS	£46	£35	£11	23.9%	£277	£295	-£18
FINANCIAL COSTS	£28	£27	-£1	3.6%	£165	£204	-£39
TRAVEL	£60	£48	£12	20.0%	£360	£351	£10
LEGAL, PROFESSIONAL & OTHER	£610	£311	£299	49.0%	£3,660	£3,876	-£217
TOTAL COSTS	£12,289	£10,905	£1,384	11.3%	£79,373	£79,791	-£418
CAPITAL SPEND	£0	£0	£0		£0	£0	£0
SURPLUS/ (DEFICIT)	-£619	£50	£669	108.1%	£1,899	£1,481	-£418

Income

DP Fee Income

In May we recovered £518k less income than budget, with a year to date variance of £414k. This is mainly due to the renewal rate which year to date is running at 88.42% versus the KPI of 95% - this represents a shortfall in renewals of circa 11,000. The Business Services team will be expanding the renewal follow up activity throughout the year to drive an increase to the current renewal rate. New acquisition activity is also due to commence in July. The success of these campaigns will be monitored across the summer months, ahead of Q2, when the DP Income forecast will be reviewed to ensure that the budgeted income remains achievable.

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.

Table 2 – DP Fee Income profile for 2022/23

Month	Budget £	Actual £	Year to date Budget £	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		15,432,838		
July	5,553,398		20,986,236		
August	6,008,001		26,994,237		
September	6,357,831		33,352,068		
October	6,361,991		39,714,059		
November	6,278,204		45,992,263		
December	4,687,626		50,679,889		
January	6,480,145		57,160,034		
February	6,687,110		63,847,144		
March	7,275,854		71,122,998		

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.

Year to Date Expenditure

Staff Costs

As at May, year to date Staff costs have underspent by £114k (1.3%). The staffing budget was set based on actual costs of staff in post, with assumptions regarding the timing of vacancies to be filled. The underspend is driven by deviation in these assumptions regarding the timing of recruitment. Year to date underspends will be offset in the financial year forecast against the staff turnover saving assumption which was budgeted to reflect optimism in staff budgets.

Non-Staff Costs

As at May, Non-staff costs are reporting as underspent by £1,270k. However, the non-staff budget has been profiled in equal increments of 12 across the financial year and this variance is mostly in relation to timing as opposed to representing a true underspend.

Full Year Expenditure

The Staff Costs forecast has been updated to incorporate updated recruitment assumptions against the original budgeted assumptions for the remainder of the financial year. This resulted in a net reduction in Directorate forecasts of £238k. This reduction has been offset against the Staff Costs turnover savings target held

within Corporate. The remaining Staff Costs turnover saving target forecast for the remainder of the financial year is £2.2m, meaning additional underspends are required to enable this to be offset in order to prevent an overspend. This will be closely monitored over the course of the next financial quarter to ensure that this remains a realistic target.

The non-staff expenditure forecast increased by £418k from Revised Budget. This mostly relates to the expenditure items approved at the May Resources Board which include the Childrens Code evaluation £76k, the London Office Accommodation project £100k and the DRCF 2022/23 programme of work costs £149k.

Appendix 1 – 2022/23 Expenditure by Directorate

May Consolidated Management Accounts	Year To Date - May				Full Year		
	Budget	Actual	Variance		Forecast April	Forecast May	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's
Chief Operating Officer Executive							
OFFICE COSTS	£922	£515	£407	44.11%	£5,531	£5,590	-£60
STAFF COSTS	£5,351	£5,388	-£37	-0.70%	£33,359	£33,655	-£295
TRAINING AND RECRUITMENT	£249	£226	£23	9.07%	£1,382	£1,379	£3
IT COSTS	£878	£620	£258	29.35%	£5,269	£5,268	£1
PROJECT SPEND	£522	£280	£241	46.29%	£3,110	£3,217	-£107
COMMUNICATIONS	£41	£35	£6	14.41%	£249	£267	-£18
FINANCIAL COSTS	£28	£27	£1	2.09%	£165	£204	-£39
TRAVEL	£22	£23	-£1	-6.52%	£130	£118	£11
LEGAL, PROFESSIONAL & OTHER	£384	£246	£138	35.91%	£2,302	£2,196	£106
TOTAL COSTS	£8,395	£7,362	£1,034	12.31%	£51,495	£51,894	-£399

May Consolidated Management Accounts	Year To Date - May				Full Year		
	Budget	Actual	Variance		Forecast April	Forecast May	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	£3,099	£3,109	-£10	-0.32%	£20,083	£19,622	£461
TRAINING AND RECRUITMENT	£2	£0	£2	100.00%	£12	£12	£0
IT COSTS	£2	£2	£0	-9.60%	£12	£2	£10
PROJECT SPEND	£0	£0	£0	#DIV/0!	£114	£114	£0
COMMUNICATIONS	£3	£0	£3	100.00%	£18	£18	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0
TRAVEL	£20	£13	£7	36.22%	£123	£119	£4
LEGAL, PROFESSIONAL & OTHER	£73	£21	£52	71.71%	£436	£536	-£100
TOTAL COSTS	£3,200	£3,145	£54	1.70%	£20,798	£20,423	£375

May Consolidated Management Accounts	Year To Date - May				Full Year		
	Budget	Actual	Variance		Forecast April	Forecast May	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	£706	£641	£64	9.08%	£5,496	£5,424	£72
TRAINING AND RECRUITMENT	£5	£0	£5	93.25%	£31	£31	£0
IT COSTS	£13	£6	£7	52.69%	£80	£80	£0
PROJECT SPEND	£5	£0	£5	100.00%	£30	£30	-£0
COMMUNICATIONS	£2	£0	£2	100.00%	£10	£10	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0
TRAVEL	£18	£12	£6	32.59%	£108	£113	-£5
LEGAL, PROFESSIONAL & OTHER	£154	£44	£109	71.13%	£921	£1,144	-£223
TOTAL COSTS	£902	£705	£198	21.91%	£6,677	£6,833	-£156

May Consolidated Management Accounts	Year To Date - May				Full Year		
	Budget	Actual	Variance		Forecast April	Forecast May	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	-£209	-£306	£97	-46.54%	£403	£641	-£238
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	£0	£0	#DIV/0!	£0	£0	£0
TRAVEL	£0	£0	£0	#DIV/0!	£0	£0	£0
LEGAL, PROFESSIONAL & OTHER	£0	£0	£0	#DIV/0!	£0	£0	£0
TOTAL COSTS	-£209	-£306	£97	-46.54%	£403	£641	-£238