Finance Report for Finance Steering Group and SMT October 2016

Executive Summary

This report shows our year to date position against our revised budget agreed at the end of August. At the end of August we were projecting a small cash surplus of £22,000 by year end.

As was the case in September, during October data protection fee income fell short of our revised target. Fee income has been particularly volatile this year (see chart below for detail). Although we have collected £720,000 more fee income than by the same period last year, we are currently £242,000 behind our new year to date target.

It is important to emphasise that this drop in fee income does not reflect a reduction in receipts or in the size of the register, which continue to grow. What we are seeing is a slow down in the rate at which the register is increasing. There is currently no clear evidence to support any specific explanation for this change.

We are also currently projecting an underspend of £108,000 against agreed budgets for the year. We have now agreed an additional income stream to cover our EIDAS work for this year of £40,000.

If we collect all the fee income needed to support our revised budget agreed in August we would now therefore be projecting a £170,000 surplus by year end. However, if fee income continues to be received in line with the rate seen in September and October, our current spending plans would risk an over spend of up to £330,000.

There are no other material areas for concern and we will be continuing to track income and expenditure extremely closely and revise our forecasts and plans accordingly as the year progresses.

We are taking the following precautionary measures to mitigate the risk of an over spend by year end:

- Although our non-Notification team has been chasing lapsed registration renewals and raising awareness of the need to notify amongst under represented sectors throughout the year, we will be taking every opportunity to increase the capacity of this team to help maximise fee income.
- We are talking to all budget holders with as yet uncommitted spend in this year's budget. We will be looking to position the spend in these areas as late as possible in the financial year to give our fee income the chance to increase. If this doesn't happen we may need to ask some budget holders to defer spend until next financial year.

- We are undertaking our traditional year end preparation to make sure we have as many options available to us to manage the run in to year end as possible.

November is also when we prepare our budget for the following year, including our projection for fee income during the period. Due to the relative volatility of fee income so far this year we do not currently feel able to forecast an increase to fee income during 2017/18. This could impact on future plans.

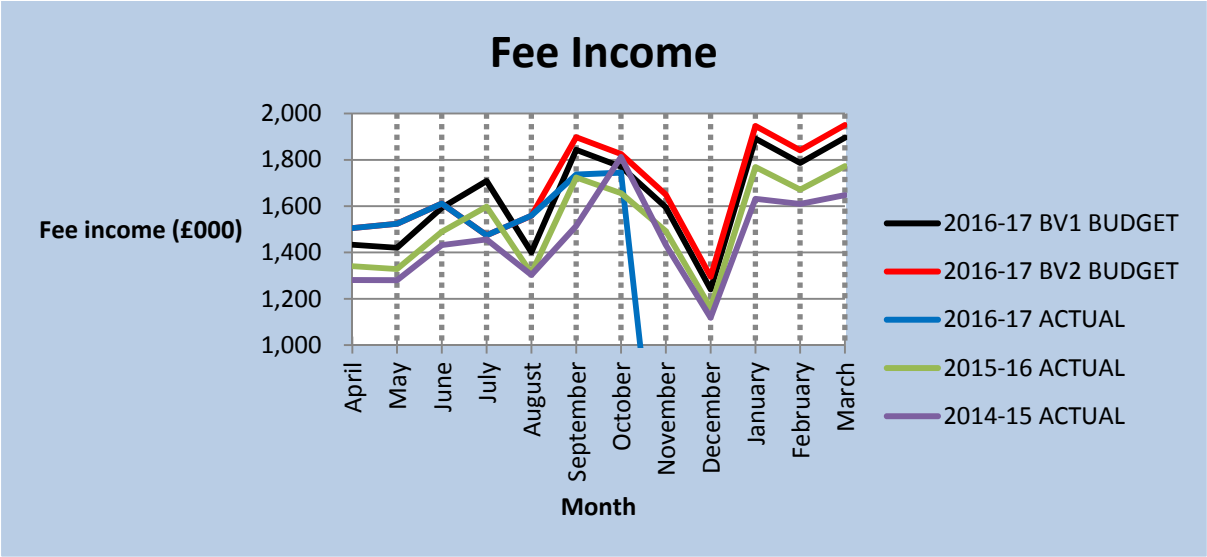
Financial Overview as at 31st October

DP Income

				VARIANCE TO	
	BV1	BV2	ACTUAL	BV1	BV2
APRIL	1,434	1,505	1,505	72	0
MAY	1,420	1,524	1,524	104	(0)
JUNE	1,593	1,611	1,611	19	(0)
JULY	1,709	1,474	1,474	(235)	(0)
AUGUST	1,401	1,559	1,560	159	1
SEPTEMBER	1,843	1,898	1,736	(107)	(162)
OCTOBER	1,771	1,825	1,744	(26)	(81)
CUMULATIVE YTD	11,170	11,397	11,155	(15)	(242)

The variation in fee income month on month has been significant.

We have collected £11.2m of DP fee income so far this year. This is £720k ahead of the same point last year and £242k below our revised target for this year. Our DP fee income therefore continues to rise year on year, but is presently 2.1% behind our revised year end target.



Grant in Aid (GIA)

FoI annual GIA Is £3.75m for 16/17 – 18/19 inclusive. This is paid monthly and returns to and receipts from DCMS are up to date.

A relatively small addition to our annual GIA has also recently been agreed to cover the cost of our EIDAS work. This GIA has been agreed as £40,000 for this year and then £44,100, £44,500, and £45,000 for the next three years. Receipts will start to be collected during the coming quarter, including those to cover funds spent so far this year.

Staff, training and recruitment

Our FTE at 31 October is 429.2 inclusive of agency filled posts against a full year budget of 435 and March 16 figure of 409. We anticipate reaching the budget complement during November.

Budgets for training courses and recruitment were increased significantly during the budget review process. £100k of this increase is so far uncommitted spend set aside for training.

IT service and projects

The IT project budget is £1.38m. This was increased from £1.215m in the recent review. £70k of the increase relates to external legal costs connected to the procurement of new service contracts and the remaining £95k to planned, but as yet uncommitted, project costs.

Our IT service budget was increased by £100,000 to cover the expected increase in software license costs associated with an expanding workforce and some parallel running during our IT transformation programmes. Our IT service budget is expected to spend in full this year.

Capital allowance

We have a capital allowance from DCMS of £650,000 this year. Irrespective of our broader financial position, if we have plans to spend in excess of this allowance on capital projects we need authority to do so from the DCMS. We currently expect to spend our capital allowance in full.

Total office costs

Anticipated spend in this area has been reviewed, and reduced, to account for future reductions in car parking costs and the reduction in the cost of our Wycliffe House lease.

Finance costs

Following a meeting with our bank managers our bank charges for the current calendar year have been confirmed. At £38,000 this represents a reduction of £7000 over the previous year. This reduction is due to the elimination of cheques in our payments process and reduced receipts in the registration service which attract much higher processing fees.

Legal, professional & other together with communications costs

Legals costs are generally on target across the board, with the exception of Enforcement. A budget increase of £112k was made relating to Operation Spruce. The hearing has been delayed until November 2017, so some of these costs will be incurred in the next financial year, resulting in a yet to be confirmed underspend this year.

Depreciation & Amortisation

These costs are currently running under budget, but will catch up when new assets are capitalised. A current estimate of the additional sums to write off at year end is £130k.

Other activities

The TPS contract is due to come across to the ICO from a date yet to be confirmed. From that point we expect to consolidate those figures into our accounts. These accounts do not therefore reflect any changes for this activity.There will be a need to include some £60k legal costs spanning this year and next for the reprocurement of this contract.

Plans to introduce a research 'grants scheme' are also underway. The extent to which funds can be set aside this financial year will depend on any year end budget surplus. However, discussions with DCMS have now confirmed that we are clear to establish the scheme with a decision now to be sought from our Audit Committee in December to confirm the arrangements regarding the potential to ring fence budget surplus this year.

Civil Monetary Penalties

The debtor of CMPs owed to the ICO as at 31 October 2016 is £3,001,140 of which £815,000 was provided as a bad debt at the end of March 2016 – net outstanding is £1,750,560 as follows:

B/f 2015-16	*1,873,940*
less bad debt provision 15/16	*(815,000)*
accounts balance	*1,058,940*
Issued penalties gross	2,025,400
Issued penalty increase post appeal	-
Issued prompt payment discount	(234,200)
Net	**2,850,140**
Receipts	(1,248,480)*
Impaired	-
Balance	**1,601,660**
*Amount due to be paid to consolidated fund in January	638,700

The creditor due to the consolidated fund (via DCMS) in respect of the above is £2,240,360. At the present time we do not impair and fully write off penalties until such time as we receive legal advice that the debt cannot be recovered. For prudent accounting purposes we were obliged to make provision for those debtors in liquidation at the end of the last financial year, however these debts have not yet been fully written off as we are still chasing them. For clarity we will not make similar provision until the year end for current year debts.

Simon Entwisle
October 2016