

Meeting: Resources Board

Date: 21 October 2021

Agenda item: 4

Time: 15 minutes

For decision

Presenter: Louise Byers

Topic: September Management Accounts and Q2 Review.

Issue: Update on financial performance for the first half of 2021/22

Purpose of report: To ask Resources Board to review the financial position at the end of September and consider any additional changes needed to the 2021/22 budget.

Recommendations:

- 1) Given the position summarised below in section 1.1 with regards to in year income and expenditure the Board is recommended to continue with the current budget and monitor progress on a monthly basis. The adjustments made to the September management accounts, following budget meetings, are set out in section 1.2 below.
- 2) The Board is recommended to agree the business cases set out below. These are:
 - a. Management Consultancy
 - b. Gartner membership
 - c. HPI administration support
 - d. RSS administration support
 - e. Economic directorate resources
 - f. DRCF resources

More detail can be found in section 2.1 below.

- 3) The Board is recommended to agree the funding requested in other Resources Board papers. These are:
 - a. Car parking costs
 - b. Additional People Directorate resources
 - c. Additional legal administration resources

More detail can be found in section 2.2 below.

4) The Board is recommended to note the areas of uncertainty in the budget (section 3), progress on business case delivery (section 4 and Annex 2) and consider options for additional spending if needed (section 5).

5) The Board is asked to note the three year forecast in Annex 1.

1. Half Year Review

The financial position at the half year is set out below:

MANAGEMENT REPORT					
For the Six Months Ending 30 September 2021					
	Year To Date				Full Year
	Budget	Actual	Variance	Var %	Budget
	£	£	£	%	£
DP FEE INCOME	28,194,810	29,155,273	960,463	-3.4%	62,680,001
GRANTS/OTHER INCOME	3,789,000	3,803,356	14,356	0.36%	7,947,140
TOTAL INCOME	31,983,810	32,958,629	974,819	-3.0%	70,627,141
TOTAL OFFICE COSTS	2,853,190	2,811,822	41,368	1.4%	4,991,014
TOTAL STAFF COSTS	23,567,404	23,528,090	39,315	0.2%	51,574,189
TOTAL TRAINING AND RECRUITMENT	726,323	565,063	161,259	22.2%	1,303,282
TOTAL IT COSTS	2,312,656	2,140,224	172,432	7.5%	4,461,975
TOTAL PROJECT SPEND	374,502	235,026	139,476	37.2%	1,745,000
TOTAL COMMUNICATIONS	212,200	88,136	124,064	58.5%	442,200
TOTAL FINANCIAL COSTS	72,000	85,835	13,835	-19.2%	169,000
TOTAL TRAVEL	27,705	25,715	1,990	7.2%	155,250
TOTAL LEGAL, PROFESSIONAL & OTHER	1,646,427	1,103,991	542,436	32.9%	4,252,749
TOTAL COSTS	31,792,407	30,583,902	1,208,505	3.8%	69,094,659
CAPITAL SPEND	0	0	0	-	965,000
SURPLUS/ (DEFICIT)	191,403	2,374,727	2,183,324	-1140.7%	567,483

The half year position shows that we continue to deliver strong performance in income, with DP fee income £960k ahead of forecast at the end of the month.

On expenditure, there have been a number of changes to expenditure budgets following budget review meetings. These are summarised in section 1.2. It is also clear from the half year position above that much of our budgeted costs expenditure is planned for the second half of the year – therefore, oversight of progress in the upcoming months will be critical.

It is not recommended to increase the full year fee income projection, as we intend to profile a slowing down in acquisitions in Q3 and Q4 as the team focus on ensuring outstanding enquiries are dealt with and renewal rates are maintained.

The current forecast year end surplus is £567k. The Board is asked to consider a number of areas of additional spend (see 2.1 and 2.2 below) which total £503k. Therefore, if these are agreed, the surplus would reduce to £64k, which is an acceptable year end position.

1.1 Income

Overall, income is ahead of profile at month end, with DP fee income £960k ahead of forecast. Proactive contact with organisations has helped to support the renewals and acquisitions metrics through the year. The year to date renewal rate was 90.44% at the end of September and at the end of the month there were 1.027m organisations on the fee register, against a year-end target of 1.13m. On the 6th of September the register reached the £1m milestone, with 170,450 new registrations added this financial year by the end of September, against a target of 172,914.

The Grant in Aid income for the year covers income for Freedom of Information - £4m for the full year, NIS (Network and Information Systems Regulations) - £1.2m for the full year, eIDAS (electronic identification and trust services) -£59k for the full year, Investigatory Act £330k, Adequacy £461k and pension funding £1.46m. These streams of funding are all paid evenly throughout the year. In addition, we have successful in bid or additional funding of £369k from the BEIS led Regulators' Pioneer Fund – this funding has to be spent in this financial year, and therefore had a net nil impact on income and expenditure for 2021/22.

1.2 Expenditure

Following the most recent round of budget meetings with all Directors and Heads of Department, the following adjustments have been made in the September management accounts (note, meetings were held with all departments, only those where material changes to the expenditure affecting the year end position are noted below):

Assurance

£30k of research budget allocated to Adtech work has been released.

Risk and Governance

Reduction in the in-year cost of the Risk and Governance recruitment business case of £57k to reduce by one quarter costs of the new roles (1 F, 2 E, 1 C).

The internal audit budget has been increased to £92k from £60k reflect additional work undertaken by Mazars, in particular in relation to cyber audits.

Increase the overtime budget in information access by £12k to support the late cases project.

Additional professional services budget of £25k.

IT and Business Services

The notification printing budget has been reduced by £90k to £150k. This reflects the fact that most organisations now provide an email address when registering or renewing, enabling these services to be delivered digitally.

Reduction of £80k in the Business Services professional services budget to reflect the reduction in the use of collection agencies for NOIs on non-payment of the fee for this financial year.

Reduction in spend on maintaining the register business case of £187k due to the profiling of the recruitment to new roles.

Increase in software costs of £10k for procurement software.

Change and Transformation

Additional resources (£60k for 2 level Es) in Knowledge Services to support the ICON implementation project.

Reduced vacancy costs of £30k in PMO and decrease in overtime budget of £5k.

Additional resources (£30k for 2 level Es) in PMO to support business case delivery.

Release of staff events budget of £30k.

Technology and Innovation

Additional income of £369k following two successful bids to the Regulators Pioneer Fund. As these two projects have to be delivered by end of March 2022, the costs have also been reflected in this year's budget, lead to a net zero impact on the accounts.

Release of £30k of funding for academic engagement research.

People

Increase the external recruitment budget from £300k to £400k. This will ensure that key technical roles can be recruited to and to support advertising and marketing of specialist roles.

Reduce the budgets on learning and development printing, venues and seminars. This reflects the increase in online provision of training. This amounts to £36k - venues (£10k), info rights printing (£1k) and seminars (£25k). The overall learning and development budget for staff training and development remains the same.

Economic Analysis

Reduction of £100k on business case for recruitment due to delays in recruitment.

Increase of £2k for professional memberships.

International

Reduction of £35k on ICO events, due to the reduced use of conference facilities for in person events.

Corporate Communications

Increase in overtime budget to £7k, an increase of £1.5k.

Travel

Travel budgets across all Directorates are below forecast spend due to the ongoing impact of Covid restrictions, as well as the successful deployment of remote and video meeting technology. While some travel is expected in the last half of the year, it is likely to continue to be significantly below anticipated levels. A review of each Directorates travel budgets has been undertaken by the finance team, which has reduced the overall ICO budget for national and international travel from £281k to £151k (year to date spend is £24k)

Team Building

The ICO's Team Building Activities policy was agreed at September Resources Board and, as such, £20k has been added to the total budget to fund these activities.

A summary of these changes is below:

Directorate	Changes	Net Impact on Expenditure
Budget Changes		
Assurance	Adtech research work	Net decrease of £30k
Risk and Governance	Increase in Internal Audit costs, recruitment delays, overtime, professional services	Net increase of £12k
Business Services	Notification printing,	Net decrease of £347k

Directorate	Changes	Net Impact on Expenditure
Budget Changes		
	professional services, maintain the register business case, procurement software	
Change and Transformation	Level E recruitment for ICON projects and PMO resource, staff events	Net increase of £30k
Tech and Innovation	Regulators Pioneer Fund, research projects	Net decrease of £30k
People	Increase in recruitment budget, reduction in learning and development seminars, printing and venues	Net increase of £64k
Economic Analysis	Delays in recruitment, professional memberships	Net decrease of £98k
International	Reduction in costs on events and UK travel	Net decrease of £35k
Corporate Communications	Overtime budget	Net increase of £2k
Travel	Reduction in travel across all departments	Net decrease of £130k
Team Building	Budget for all departments	Net increase of £20k

These changes total a reduction in expenditure of £543k.

1.3 Other

Other changes, which do not impact the overall surplus/deficit position, which have been made are summarised below:

- NIS funding has been allocated between Assurance and Investigations to ensure the budget aligns with the resourcing of this work. This has no impact on the overall budget.
- Chandra funding has been separated out to give clarity to the budget being managed by Emily Keaney. This has no impact on the overall budget.

- There have been several reallocations of business case budgets in the PMO to reflect the delivery schedule for projects, including:
 - Additional funding for tech aspects of ICON redevelopment - +£60k
 - Profiling of SME digital project resulting in some costs moving to 2022 - -£50k
 - Reduction in budget for intelligence database as project management is separately funding - -£40K
 - Replace Managed Direct Debits project with WAN replacement to support new ways of working – no budget impact
 - Auto Change of Address – additional testing - +£5k
 - System monitoring tool – additional costs - +£20k

As these changes net out to £5k no overall adjustment to the budget is needed.

- Move £25k from external legal costs to secondments for Legal, to fund a secondment programme.
- Move £75k from professional services to research in DRSD to ensure sufficient funding for Op Lander and other research.

2. Areas of Additional Spend for Approval

As set out above, the current forecast is an surplus of £567k. The following areas of funding have been identified for approval by the Board.

2.1 Business Cases

The following business cases are recommended for approval in this financial year:

- Additional spend of £40k (pro-rated for 5 months) for a business case in relation to Gartner membership – the business case can be found [here](#)
- £13k to part fund a [business case](#) for additional administration support in HPI (1 level B, pro-rated).
- Additional spend of £68k (pro-rated) on a management consultancy business case. This case can be found [here](#)
- Increase in staff costs (£84k) due to the funding of DRCF roles (1G and 2 F) for the remainder of the year. A full business case is being developed for these resources.
- Increase of £40k for business case for additional resources (2 level E), pro-rated for 4 months - business case is [here](#).
- Increase of £40k for business case for additional RSS administrative resources (3 level C, 0.5 level B), pro-rated for 4 months – business case is [here](#). Since the business case has been developed, the need

for a level E resource has also been identified – in year cost of £20k.

The total proposed additional spend is £305k on business cases.

2.2 Resources Board Agenda

There are papers elsewhere on the agenda for this meeting that ask for additional in year funding. These include:

- Increase staff costs in HR by £60k to account for additional posts currently being proposed in a business case being considered at this Resources Board meeting.
- Write off of bad debt from the ICO parking scheme of £123k as outlined in a separate paper to the Resources Board (amount is updated for end of September position)
- Increase in temporary legal resource for administrative support - £15k.

The total proposed additional spend is £198k on Resources Board requests.

These changes are summarised in the table below:

Directorate	Changes	Net Impact on Expenditure
Business Cases		
IT and Business Services	Gartner	Net increase of £40k
HPI	Admin resources	Net increase of £13k
Change and Transformation	Management consultancy	Net increase of £68k
Tech and Innovation	DRCF roles	Net increase of £84k
Economics	Resourcing	Net increase of £40k
Economics	RSS admin	Net increase of £60k
Resources Board Papers		
People	Additional resources	Net increase of £60k

Finance	Parking	Net increase of £123k
Legal	Administration support	Net increase of £15k

The total additional spend across business cases and Resources Board papers is £503k.

3. Areas of Uncertainty

There are a number of areas of ongoing uncertainty within the current budget. These should be closely monitored to ensure that forecasts remain accurate. These include:

- 1) *Recruitment.* There is reliance on recruitment in the second half of the year to deliver the capacity and capability the ICO needs and much of this work has been profiled into Q3 and 4. In particular, the Technology and Innovation Directorate currently have £852k of vacancy budget, with numerous campaigns running. However, there are still vacancies of specialist skills and experience, for example in AI and end to end encryption, that are proving difficult to fill, even with the use of bespoke agencies. An option to fund additional HR support to help identify options for recruitment is being considered.
- 2) *External legal spend.* The budget for external legal spend is £960k - £80k for HR legal advice, £550k for regulatory enforcement and £310k for regulatory advice and commercial. So far, £282k has been spent. While there are timing differences with billing and receipt of invoices, this means there are significant uncertainty around whether the rest of the budget is required, and is reliant on the need for support for enforcement cases and our approach to legal advice on transfers and DP reform work.
- 3) *Research.* There are significant research budgets across the organisation which total £455k. These are reliant on the identification of, and procurement of, the external support. Meetings with Budget holders indicate that they are confident these budgets can be delivered on target, but this should continue to be an area of focus and oversight for the Board. This is particularly relevant for the spend in the Communications department, where three projects are currently being scoped, leading to a level of uncertainty at the half year around required budget this financial year.
- 4) *Travel* – as indicated above, there remains a level of uncertainty around the travel budget as we go into the winter. The budget has been reforecast at half year, but this should be monitored as restrictions are reviewed and/or attitudes to business travel change.
- 5) *Accommodation* - there is £320k with the facilities budget for accommodation kit out. This is profiled to spend primarily in the

second half of the year, and was added to the budget to fund any accommodation costs of moving the London office, plus any costs from reconfiguration of the wider ICO estate to facilitate hybrid working and collaboration. None of this budget has been spent yet, although it is not recommended to release this funding yet, given the ongoing work to secure London office accommodation, the anticipated office move in Edinburgh (for which £150k has been budgeted) and the refinement of the Our Ways of Working plans.

- 6) *Additional Resources* – as set out in section 2.2 above, the October Resources Board is also considering papers on new ways of working with the People and Corporate Communications Directorates. There is also a new Director of Finance due to start at the end of October. While a small amount of funding has been allocated to fund immediate resources within the People directorate (see above) approval and/or acceleration of plans to review resources in this area may require additional in year funding.

4. Business Cases

An analysis of the delivery of the agreed business cases can be found in Annex Two. To summarise, of the approximately £4m allocated there has been an estimated spend of £90k to date, and a forecast expenditure for the financial year of £3.3m. The shortfall has been discussed in budget meetings and is either adjusted for in the amendments set out above, or reallocated to other areas.

The main area where delivery is falling behind is relating to business cases with recruitment needs. This is an ongoing challenge, in particular in areas where we have seen failed recruitment campaigns over the period, such as Insight and Compliance and specialist roles in Technology and Innovation.

If the business cases set out in section 2.1 are agreed, there will be only one business case that remains fully unfunded – ‘Promotion, products and research for SMEs’. This case, for funding to raise awareness with SMEs, is still being developed and it is recommended that the Board consider this when complete.

5. Options for additional spend:

Given the level of uncertainty set out in sections 3 and 4, additional options for spend have been identified which could quickly be developed if needed. These include:

- As part of the Our Ways of Working programme, there may be a requirement for additional IT equipment to support hybrid working, such as additional hubs or collaboration tools. There is also an

option to fund a reconfiguration of the some of the Wilmslow office space, for example to increase the number of pods.

- There is spend planned for new laptops in 2022/23 which may have a business need to be brought forward into 2021/22 financial year.
- ICO procured desks for home working
- Additional sit-stand desks for our office as people to enhance flexibility in working.
- Options around improving our environmental impact, for example introducing more bike racks, electric charging points and a carbon offset fund.

Publication considerations: The Management Accounts are published monthly on the ICO's website.