

# Finance Report Summary, Financial Year 2022/23

## February 2023

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### Executive Summary

This report provides the February management accounts for 2022/23 which show a forecast year end deficit of £1.3m, 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 £5.1m below the original budgeted profile, however since the forecast was reset at Q2, the variance to forecast over the past three months is positive £1.1m (1.9%). 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 £2.4m underspent. A breakdown by directorate can be found in Appendix 1. Given the low volume high cost invoices we are expecting in M12, there is potential risk for further slippage in spend leading to a higher underspend from forecast.

Year to date expenditure is reporting as £4.0m underspent against the budgeted profile, £1.9m in relation to staff costs and £2.0m 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 £2.2m 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 February Consolidated Management Accounts**

February Consolidated Management Accounts	Year To Date - February				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Feb	Var	FC Jan	FC Feb	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
ICO Consolidated										
DP FEE INCOME	£63,847	£58,797	-£5,050	-8%	£71,123	£65,355	-£5,768	£65,355	£65,355	£0
GRANT IN AID	£7,308	£7,308	£0	0%	£7,972	£7,972	£0	£7,972	£7,972	£0
OTHER GOVERNMENT FUNDING	£323	£325	£2	1%	£357	£357	-£0	£259	£357	£97
FINE RETENTION INCOME	£1,668	£1,690	£22	1%	£1,820	£1,951	£131	£1,948	£1,951	£3
REGULATORY PIONEERS FUND	£0	£0	£0		£0	£76	£76	£76	£76	£0
<b>TOTAL INCOME</b>	<b>£73,146</b>	<b>£68,120</b>	<b>-£5,026</b>	<b>-7%</b>	<b>£81,272</b>	<b>£75,711</b>	<b>-£5,561</b>	<b>£75,611</b>	<b>£75,711</b>	<b>£101</b>
OFFICE COSTS	£4,876	£5,022	-£146	-3%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£53,450	£51,529	£1,921	4%	£59,341	£57,107	£2,232	£57,700	£57,107	£592
TRAINING AND RECRUITMENT	£1,302	£1,204	£98	8%	£1,425	£1,404	£21	£1,404	£1,404	£0
IT COSTS	£4,843	£4,586	£257	5%	£5,286	£5,022	£264	£5,022	£5,022	£0
PROJECT SPEND	£3,209	£1,456	£1,753	55%	£3,329	£2,767	£562	£2,767	£2,767	£0
COMMUNICATIONS	£264	£296	-£32	-12%	£277	£332	-£56	£332	£332	£0
FINANCIAL COSTS	£151	£133	£18	12%	£165	£219	-£54	£219	£219	£0
TRAVEL	£311	£371	-£60	-19%	£361	£387	-£26	£387	£387	£0
LEGAL, PROFESSIONAL & OTHER	£3,260	£2,158	£1,102	34%	£3,659	£3,422	£237	£3,496	£3,422	£74
<b>TOTAL COSTS</b>	<b>£71,666</b>	<b>£66,755</b>	<b>£4,911</b>	<b>7%</b>	<b>£79,374</b>	<b>£75,708</b>	<b>£3,663</b>	<b>£76,375</b>	<b>£75,708</b>	<b>£666</b>
Capital Spend	£0	£966	-£966		£0	£1,302	-£1,302	£1,302	£1,302	£0
<b>SURPLUS/(DEFICIT)</b>	<b>£1,480</b>	<b>£399</b>	<b>£1,081</b>	<b>73%</b>	<b>£1,898</b>	<b>-£1,299</b>	<b>-£3,197</b>	<b>-£2,066</b>	<b>-£1,299</b>	<b>£768</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 £1.1m more income, a variance of 1.9%.

The renewal rate for the month of February is 89.41% and the year to date renewal rate is 90.78% versus the revised KPI of 88.5%.

Acquisitions activity continued to progress well and in February we registered 9,919 new organisations bringing the year to date total to 174,010.

We therefore require a further circa 9,000 new registrations in the remaining month 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	6,400,011	57,687,629	58,797,173	1,109,544
<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.

## 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 £1,690k with a full year forecast of £1,951k.

## **Year to Date Expenditure**

### **Staff Costs**

As at February, Staff costs are underspent by £1.9m (4%). 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 February, Non-staff costs are underspent by £2.0m. 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. Based on the burn rate of expenditure to date for non-staff costs, 81% of the forecast has been spent year to date at 92% of the way through the financial year. We are aware of a few large bills due in March for Workday, NIS consultancy and the London office move which explains some of this. There is potential risk for further slippage in remaining expenditure that could lead to reductions in the year end outturn.

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

February Consolidated Management Accounts	Year To Date - February				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Feb	Var	FC Jan	FC Feb	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	£4,876	£5,022	-£146	-2.99%	£5,531	£5,048	£483	£5,048	£5,048	£0
STAFF COSTS	£30,477	£29,893	£584	1.92%	£33,607	£32,793	£814	£32,847	£32,793	£53
TRAINING AND RECRUITMENT	£1,264	£1,186	£79	6.25%	£1,382	£1,366	£16	£1,366	£1,366	£0
IT COSTS	£4,754	£4,567	£187	3.93%	£5,194	£4,927	£267	£4,927	£4,927	£0
PROJECT SPEND	£3,070	£1,456	£1,614	52.57%	£3,185	£2,767	£418	£2,767	£2,767	£0
COMMUNICATIONS	£228	£254	-£26	-11.40%	£249	£303	-£55	£303	£303	£0
FINANCIAL COSTS	£151	£133	£18	11.92%	£165	£198	-£33	£198	£198	£0
TRAVEL	£112	£221	-£108	-96.43%	£130	£185	-£55	£185	£185	£0
LEGAL, PROFESSIONAL & OTHER	£2,115	£1,865	£250	11.82%	£2,302	£2,294	£7	£2,294	£2,294	£0
<b>TOTAL COSTS</b>	<b>£47,049</b>	<b>£44,596</b>	<b>£2,453</b>	<b>5.21%</b>	<b>£51,743</b>	<b>£49,882</b>	<b>£1,861</b>	<b>£49,935</b>	<b>£49,882</b>	<b>£53</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£966</b>	<b>-£966</b>	<b>#DIV/0!</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>£47,049</b>	<b>£45,562</b>	<b>£1,487</b>	<b>3.16%</b>	<b>£51,743</b>	<b>£51,108</b>	<b>£635</b>	<b>£51,162</b>	<b>£51,108</b>	<b>£53</b>

The forecast movement within the COO Executive is due to a slight decrease in staff costs forecast.

February Consolidated Management Accounts	Year To Date - February				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Feb	Var	FC Jan	FC Feb	Var
	£000's	£000's	£000's	%	£000's	£000's	£000's	£000's	£000's	£000's
Chief Regulatory Officer Executive	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
OFFICE COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
STAFF COSTS	£17,997	£17,966	£32	0.18%	£20,186	£19,640	£546	£19,670	£19,640	£30
TRAINING AND RECRUITMENT	£9	£1	£8	88.89%	£12	£8	£4	£8	£8	£0
IT COSTS	£11	£13	-£2	-18.18%	£12	£15	-£3	£15	£15	£0
PROJECT SPEND	£109	£0	£109	100.00%	£114	£0	£114	£0	£0	£0
COMMUNICATIONS	£27	£9	£17	62.96%	£18	£19	-£1	£19	£19	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£100	£99	£1	1.00%	£123	£131	-£8	£131	£131	£0
LEGAL, PROFESSIONAL & OTHER	£410	£99	£310	75.61%	£436	£475	-£38	£475	£475	£0
<b>TOTAL COSTS</b>	<b>£18,662</b>	<b>£18,187</b>	<b>£475</b>	<b>2.55%</b>	<b>£20,901</b>	<b>£20,288</b>	<b>£613</b>	<b>£20,317</b>	<b>£20,288</b>	<b>£30</b>
<b>Capital Spend</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>#DIV/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>£18,662</b>	<b>£18,187</b>	<b>£475</b>	<b>2.55%</b>	<b>£20,901</b>	<b>£20,363</b>	<b>£538</b>	<b>£20,392</b>	<b>£20,363</b>	<b>£30</b>

The forecast movement is due to a slight decrease in staff costs forecast.

February Consolidated Management Accounts	Year To Date - February				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Feb	Var	FC Jan	FC Feb	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	£5,266	£3,976	£1,289	24.48%	£5,804	£4,503	£1,300	£4,519	£4,503	£16
TRAINING AND RECRUITMENT	£29	£17	£12	41.38%	£31	£30	£1	£30	£30	£0
IT COSTS	£78	£6	£72	92.31%	£80	£80	£0	£80	£80	£0
PROJECT SPEND	£30	£0	£30	100.00%	£30	£0	£30	£0	£0	£0
COMMUNICATIONS	£9	£33	-£24	-266.67%	£10	£10	£0	£10	£10	£0
FINANCIAL COSTS	£0	£0	£0	#DIV/0!	£0	£0	£0	£0	£0	£0
TRAVEL	£99	£51	£48	48.48%	£108	£71	£37	£71	£71	£0
LEGAL, PROFESSIONAL & OTHER	£735	£194	£541	73.61%	£921	£653	£268	£727	£653	£74
<b>TOTAL COSTS</b>	<b>£6,246</b>	<b>£4,278</b>	<b>£1,968</b>	<b>31.51%</b>	<b>£6,985</b>	<b>£5,348</b>	<b>£1,637</b>	<b>£5,438</b>	<b>£5,348</b>	<b>£90</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>£6,246</b>	<b>£4,278</b>	<b>£1,968</b>	<b>31.51%</b>	<b>£6,985</b>	<b>£5,348</b>	<b>£1,637</b>	<b>£5,438</b>	<b>£5,348</b>	<b>£90</b>

The movement in staff costs and Legal, professional and other forecast is due to small savings identified across the directorate.

February Consolidated Management Accounts	Year To Date - February				Full Year			Full Year		
	Budget	Actual	Variance		Budget	FC Feb	Var	FC Jan	FC Feb	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	-£290	-£306	£16	-5.52%	-£256	£171	-£428	£664	£171	£493
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	£21	-£21	£21	£21	£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>-£290</b>	<b>-£306</b>	<b>£16</b>	<b>-5.52%</b>	<b>-£256</b>	<b>£192</b>	<b>-£448</b>	<b>£685</b>	<b>£192</b>	<b>£493</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>-£290</b>	<b>-£306</b>	<b>£16</b>	<b>-5.52%</b>	<b>-£256</b>	<b>£192</b>	<b>-£448</b>	<b>£685</b>	<b>£192</b>	<b>£493</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 individual directorates. Only the element of the pay increase relating to March is being carried. The staff costs have also been updated to reflect the career band uplift in October's actual outturn in the March pay. Turnover saving target forecast was met in Q3 and is now £0 in the forecast.