

Finance Report Summary, Financial Year 2019/20 September 2019

Executive Summary

September 2019 represents the sixth month of the financial year. This is the mid-year point for the organisation and the full year forecast has been updated to recognise anticipated variations against the initial budget. The current forecast is showing an anticipated deficit of £230k at the year end. The main driver towards the deficit is the year to date underachievement of the DP fee income. At the end of the first half of the year the ICO had collected 95% of the forecast income for the year to date. Whilst this represents an increase of 22% compared to 18/19 this is £1.3m below our mid-year forecast.

Plans are due for consideration by the Executive Team at the start of November for a more ambitious fee income recovery/collection programme for the remainder of the year. This is intended to mitigate the risk of a deficit position at year end and will aim to ensure the fee profile is on track for the remainder of the year and as much as the year to date deficit is recovered. Progress with these plans will be included in all future month end accounts and reported to Audit Committee and Management Board.

The travel and legal budgets are both facing considerable pressure and the year-end forecasts for each have been updated to reflect the potential overspend against each area. Both of these budgets are forecast to be greater than the initial budget set which is a reflection of the increase in demands on the organisation.

There is an increase in other income which is due to increased income to cover the costs of pensions and additional income to partly offsets the costs of litigation. Finally there are areas of potential savings that are achievable in various areas within the organisation.

Description	YTD	April	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Year end forecast	Total Budget	Variance to Budget
	RAG RATING	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DP FEE INCOME	A	3,764	4,611	3,644	3,639	3,132	3,617							45,260	46,560	(1,300)
GRANT IN AID	G	386	386	386	386	386	386							4,626	4,626	0
OTHER INCOME	G	107	107	107	254	207	145							2,626	1,273	1,353
OFFICE COSTS	A	246	387	69	249	210	236							2,978	2,651	(327)
STAFF COSTS	G	2,833	2,847	4,496	2,884	3,120	3,244							38,660	38,660	0
TRAINING AND RECRUITMENT	G	66	85	32	61	62	57							805	835	30
IT COSTS	G	244	280	279	348	287	299							3,492	3,625	133
PROJECT SPEND	G	81	272	507	328	125	237							1,785	2,500	715
COMMUNICATIONS	G	109	41	41	46	24	29							584	684	100
FINANCIAL COSTS	G	9	6	6	14	10	12							188	188	0
TRAVEL	A	102	99	92	87	51	78							945	687	(258)
LEGAL, PROFESSIONAL & OTHER	A	94	477	264	101	355	114							2,651	1,978	(673)
CAPITAL SPEND	G	0	0	0	0	0	0							650	650	0
OPERATING SURPLUS	A	470	608	-1,650	160	-520	-156							(229)	0	(229)

<u>Key</u>	RAG RATING
On track	G
Not on track but expected to be at budget at year end	A
Not expected to be at budget at year end	R

Income

The DP income for the month of September is adverse by £0.37m against the budget for the month. Overall it is adverse against the year to date budget by £1.3m. Year to date, the ICO has collected Data Protection fees of £22.4m against a budget of £23.7m. The amount collected in September 2019 (£3.6m) is favourable to that collect in July 2018 (£3.3m).

For the remainder of the financial year the organisation is assumed to be back on profile for the Data Protection fee income. There is considerable work underway reviewing the Data Protection register to identify and then contact the organisations and individuals that are legally obliged but have not yet registered.

The Grant in Aid income covers income for Freedom of Information - £3.75m for the full year, NIS (Network and Information Systems Regulations) - £500k for the full year, eIDAS (electronic identification and trust services) -£46k for the full year and IPA (Investigatory Powers Act) - £330k for the full year. This is all on track for the year and is received in tranches.

Other income mainly includes a budgeted £1m of income from DCMS to cover the increase in pension costs, this has recently been confirmed at a higher rate of £1.442m, which has now been included in the latest forecast. This is for one year only and offsets a corresponding cost in the staffing budget.

Also within other income is £650k which is additional income to cover the increased costs of litigations. With the significant legal costs involved in litigation linked to fines DCMS are looking to partly offset these within year. The ICO are currently in dialogue to agree a longer term model to recover the costs of litigation connected with issuing fines.

DP Fee Income actuals vs budget per month

Month	BUDGET 2019/20	2019/20 Actual	Variance to Budget
April	3,500	3,764	+264
May	4,765	4,611	-154
June	3,897	3,644	-253
July	3,910	3,639	-271
August	3,639	3,132	-507
September	3,987	3,617	-370
October	4,161		
November	4,010		
December	2,817		
January	3,883		
February	3,777		
March	4,213		
Total	46,559		

Expenditure

A number of lines of expenditure are outside the expected outturn, with Travel and Legal, Professional & Other being prominent. Travel expenditure will need careful monitoring and management. Legal expenses are also tracking above the anticipated levels of spend. Work has been carried out to forecast all lines of expenditure and income to the end of the financial year. Expenditure on travel and legal are tracking at much higher levels than budgeted and are expected to be adverse to budget for the full financial year. There are assumed savings in other areas of the organisation notably the project spend. This is reduced as the remainder of the costs will now fall into 2020/21.

The staffing budget includes the assumed increase in costs of higher pension contributions and includes assumptions on the cost of Career Progression and revalorisation. The overall forecast for staffing costs for the financial year is expected to be favourable to budget.

End of year position:

The year end is forecast to be a slight deficit, which is mainly driven by the underachievement of Data Protection fee income, increases in other income and some costs savings along with increases in travel and legal costs. The forecast will be reviewed on a monthly basis and updated to reflect the latest position particularly with the profiling of the fee income.

Cash Flow

The cash position will need careful monitoring throughout the year. A new forecast has been undertaken, which underlines the need for careful management of expenditure throughout 2019/20. This is detailed below and shows that the months of December through to the end of the year will require careful control.

Month	Sept	Oct	Nov	Dec	Jan	Feb	March
£'000	2,274	2,376	2,631	1,399	1,477	1,465	1,572