

Financial Report – May 2024

Executive Summary

This report sets out the financial position as at the end of May 2024.

Draft 2024/25 Budget

The 2024/25 initial draft budget represents a deficit position of £9.2m detailed in table 1. The deficit is due to the impact of the delayed DP fee review. ICO and DSIT continue to work closely as we jointly aim to resolve this position.

During May, the ICO has reviewed the draft budget in detail and has further prioritised and decreased its expenditure by £1.6m and increased its income expectations by £0.3m. The result of this work is a reduction in the budget deficit to £7.4m. This position is represented in Table 1 as the Revised Budget. The budget review is ongoing with further changes anticipated to the Revised Budget in June.

Income

Data Protection (DP) Fee Income at the end of May is £0.4m ahead of budget. There remains significant further opportunities to optimise DP fee income as detailed within the risks and opportunities section of this report.

Grant in Aid funding has been budgeted at £7.2m for 2024/25. On receipt of the draft delegation from DSIT, this is represented as £7.0m. We are currently working to confirm the correct GiA baseline and recognition of funding for 2024/25 via a finalised funding delegation from DSIT.

Other Government Income is budgeted at £0.4m which aligns to our actual expenditure in 2024/25. The draft funding delegation received from DSIT includes potential funding amounting to £1.0m. This funding is in relation to ringfenced activities for eIDAS and NIS and as a result it cannot be used to offset the general deficit as it can only be spent on specific activities. The income and expenditure for these activities will be confirmed in June and updated in the revised budget.

Fine Income Retention was budgeted at £0.7m. To date we have recovered £0.2m of fines and currently anticipate full-year recovery of an additional £0.3m relative to an initial budget of £0.7m. This is without allowing for a number of other individually significant fines that could be recovered in-year. On this basis, we have increased the initial budget for fine recovery to £1.0m but will continue to keep this under review.

Expenditure

The budgeted expenditure has been reduced by £1.6m across these key areas of expenditure:

- Staff Costs £0.5m - reflecting changes in the ICO's career banding framework to move to one assessment window per financial year, aligning with the timing of the annual pay remit in July. In addition the recruitment of the CEO has been paused as the DPDI Bill did not complete its parliamentary passage as a result of the General Election being called.
- Training and Recruitment £0.3m – reflecting a further reduction in recruitment costs for the financial year associated with the ongoing recruitment pause and a further reduction and prioritisation for training activities.
- Office Costs £0.2m – deferring the introduction of a new H&S system and training package, as well as deferring extension of the office opening / access hours taking into account current office utilisation and demand.
- Legal, Professional and Other £0.5m – reduction in relation to legal costs, removing risks and contingency from budgeted expenditure.

All project costs have been presented as revenue expenditure in the latest budget, until they are assessed in detail to determine if they can be capitalised. In addition, £1.2m of these change and transformation costs have the potential to be deferred to 2025/26 if not affordable, the budget has been held for now pending further assessments of affordability as the year progresses.

In general across all budget areas there are opportunities to back-load expenditure to later months in the year and these will be reflected in the updated budget profile once the final budget is settled.

Risks and opportunities

1. There remain significant risks and opportunities associated with the level of DP Fee Income:

Fee review risk

- There is a significant risk that the fee review is further delayed or delivers outcomes that are different from current assumptions. This risk has increased since last months report as a result of the call for

a General Election on 4 July. The budget assumes the fee review concludes in October, with the standard increase across the current tier structure being implemented by November and current exemptions remaining the same. A one-month delay would further decrease the income budget by £1.9m. A delay beyond March would decrease the income budget by £9.5m.

- The ICO and DSIT continue to work closely with regards to implementing the fee review.

Optimisation of DP fee income

- We currently have over 56,000 registrations that are overdue. In 2023/24 we generated acquisitions of 125,736. The budget includes a stretch target for new acquisitions for the year of 146,400.
- New initiatives are in progress with the objective to optimise our existing registration income and increase the acquisitions performance. These include an HMRC pilot for data sharing, partnering with a third party to assist the ICO to target people who should be paying our fee but currently don't. This activity not only ensures that we can increase our income, but also ensures compliance with the regulations, and fairness to those who do pay.

2. There is a significant risk associated with the ICO's cashflows:

- Current cashflow forecasts show that, based on the draft budget and, without further action, the ICO does not have sufficient inflows (which are variable) or other available facilities to meet expenditure-related outflows (which are mainly fixed). The ICO is working to mitigate the cashflow risks with DSIT and as part of this has agreed accelerated drawdown of government funding. This has moved the forecast cashflow shortfall from August to December.
- The ICO's cashflow forecast is very sensitive to variations in fee income profiles and the finalisation of the new fees framework, assumed to be from November. A one month delay would bring forward our first cash shortfall to November (£1.1m) worsen our year end cash position. The ICO has received a written going concern cover from DSIT confirming their lender of last resort status and commitment to providing the ICO with sufficient working capital.

3. There is further opportunity to increase the ICO's fine income across the financial year. The ICO has recently fined PSNI £750k for a data breach. This is not yet reflected in the ICO's income position.

Table 1 – May Management Accounts

May Consolidated Management Accounts	Year To Date - May				Full Year				
	Budget	Actual	Variance		Draft Budget	Revised Budget	Variance		2023/24
ICO Consolidated	£'m	£'m	£'m	%	£'m	£'m	£'m		£'m
DP FEE INCOME	£10.03	£10.38	£0.35	3%	£76.70	£76.70	-		£66.20
GRANT IN AID	£1.19	£0.73	-£0.46	-39%	£7.20	£7.20	-		£9.70
OTHER GOVERNMENT FUNDING	£0.03	£0.00	-£0.03	-100%	£0.40	£0.40	-		£0.40
FINE RETENTION INCOME	£0.12	£0.18	£0.06	50%	£0.70	£1.00	£0.30		£4.00
DRAWDOWN FROM RESERVES	£0.00	£0.00	£0.00	-	£0.00	£0.00	-		£6.20
OTHER INCOME	£0.00	£0.07	£0.07	-	£0.00	£0.00	-		£0.40
TOTAL INCOME	£11.37	£11.36	-£0.01	0%	£84.90	£85.20	£0.30		£86.80
STAFF COSTS	£11.58	£11.57	£0.02	0%	£71.60	£71.10	£0.50		£68.70
TRAINING AND RECRUITMENT	£0.30	£0.14	£0.16	53%	£1.80	£1.50	£0.30		£0.90
OFFICE COSTS	£0.75	£0.59	£0.15	20%	£4.50	£4.30	£0.20		£4.70
IT COSTS	£1.17	£0.89	£0.28	24%	£7.00	£7.00	-		£4.80
PROJECT SPEND	£0.58	£0.02	£0.56	97%	£1.20	£3.50	-£2.30		£0.00
COMMUNICATIONS	£0.08	£0.04	£0.04	50%	£0.50	£0.50	-		£0.30
FINANCIAL COSTS	£0.07	£0.04	£0.03	43%	£0.40	£0.40	-		£0.20
TRAVEL	£0.13	£0.09	£0.04	31%	£0.80	£0.80	-		£0.70
LEGAL, PROFESSIONAL & OTHER	£0.67	£0.25	£0.42	63%	£4.00	£3.50	£0.50		£3.70
TOTAL COSTS	£15.33	£13.63	£1.70	11%	£91.80	£92.60	-£0.80		£84.00
Capital Spend	£0.00	£0.04	-£0.04	-	£2.30	£0.00	£2.30		£2.80
SURPLUS/(DEFICIT)	-£3.96	-£2.30	£1.66		-£9.20	£7.40	£1.80		£0.0

