

Financial Report – July 2024

Executive Summary

This report sets out the ICO's financial position as at the end of July 2024.

In June we reported a total financial deficit of £14.6m, of which £9.4m is in relation to the fee review delay caused by the General Election. DSIT have reported this additional £9.4m pressure to HMT and we wait to hear whether additional funding will be provided. As at end of July, the deficit amounts to £15.3m, an increase of £0.7m from last month incorporating the following changes:

In summary:

Civil Service Pay Remit

The civil service pay remit was released in July allowing up to a 5% increase for the pay remit year. The ICO's pay remit year runs from 1 July 2024 to 30 June 2025 and the revised budget has been updated, in agreement with DSIT, to reflect the current year impact of this pay remit. This has resulted in an increase of £1.0m in Staff Costs since last month's report.

Other Income

A budget for 'other income' has now been included at £0.2m. This reflects income from DRCF £0.2m, and other income £0.1m including bank interest.

The overall changes between the original budget deficit £9.2m and the revised budget deficit £15.4m, shown in Table 1 are as follows:

- Reduction of £1.8m relating to identified cost reductions from pausing and deferring expenditure to 2025/26;
- Reduction of £1.9m relating to increased DP fee income ;
- Reduction of £0.3m for additional retained fine income;
- Reduction of £0.2m to incorporate other income;
- Increase of £1.0m to reflect the civil service pay remit;
- Increase of £9.4m for the further delayed fee review.

The revised budget deficit of £15.4m is shown in Table 1.

ICO and DSIT continue to work closely as we jointly aim to address the revised budget deficit, its impact on the ICO's financial position and on the ICO's cash requirements.

Summary of Risks and Opportunities

1. DP Fee Income Opportunity

Fee review

- The DP fee income revised budget does not assume any impact from the fee review this financial year. This aligns to DSIT's assumed March 2025 timeline for implementation of the fee review. If this fee review could be delivered earlier in Q4 2024/25, this would have the potential to increase the DP fee income by up to £5m.

The ICO and DSIT continue to work closely with regards to implementing the fee review as quickly as possible.

Optimisation of DP fee income

- New initiatives are in progress with the objective to further increase the acquisitions performance above the 183k acquisitions budgeted. These involve new initiatives to help 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. Fine Income Opportunity

- The ICO has recently issued a notice of intent to PSNI of £750k for a data breach. This is not yet reflected in the ICO's income position.
- Linked to the DP fee income optimisation activity there may be an increase in the volume of penalties the ICO issues for those who fail to comply with the GDPR regulations regarding the payment of fee income.

3. ICO Cashflow

There is a significant risk associated with the ICO's cashflows due to the financial deficit forecast this financial year. 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.

Table 1: July Consolidated Management Accounts	Year To Date - July					Full Year			23/24
	Budget	Actual	Variance			Draft Budget	Revised Budget	Variance	
	£'m	£'m	£'m	%		£'m	£'m	£'m	
ICO Consolidated									
DP FEE INCOME	20.70	21.05	0.35	0.02		76.70	69.21	-7.49	66.20
GRANT IN AID	2.68	6.60	3.92	1.46		7.20	7.15	-0.05	9.70
OTHER GOVERNMENT FUNDING	0.00	0.00	0.00	-		0.40	1.05	0.65	0.40
FINE RETENTION INCOME	0.33	0.32	-0.01	-0.03		0.70	1.00	0.30	4.00
DRAWDOWN FROM RESERVES	0.00	0.00	0.00	-		0.00	0.00	0.00	6.90
OTHER INCOME	0.00	0.19	0.19	-		0.00	0.30	0.30	0.40
TOTAL INCOME	23.71	28.17	4.46	0.19		85.00	78.71	-6.29	87.60
STAFF COSTS	23.37	23.07	0.30	0.01		71.60	72.34	0.74	68.70
TRAINING AND RECRUITMENT	0.38	0.20	0.18	0.47		1.80	1.50	-0.30	0.90
OFFICE COSTS	1.40	1.55	-0.14	-0.10		4.50	4.30	-0.20	4.70
IT COSTS	2.04	1.98	0.05	0.03		7.00	6.70	-0.30	5.00
PROJECT SPEND	0.28	0.06	0.22	0.79		3.50	4.00	0.50	0.00
COMMUNICATIONS	0.10	0.05	0.06	0.54		0.50	0.50	0.00	0.30
FINANCIAL COSTS	0.15	0.10	0.05	0.35		0.50	0.40	-0.10	0.30
TRAVEL	0.25	0.19	0.06	0.26		0.80	0.80	0.00	0.70
LEGAL, PROFESSIONAL & OTHER	0.83	0.59	0.24	0.29		4.00	3.50	-0.50	5.10
TOTAL COSTS	28.82	27.79	1.03	0.04		94.20	94.04	-0.16	85.70
Capital Spend	0.00	-0.04	0.04	-		0.00	0.00	0.00	1.90
SURPLUS/(DEFICIT)	-5.10	0.42	5.52	1.08		-9.20	-15.33	-6.13	0.00

