

Financial Report – August 2024

Executive Summary

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

In July we reported a total financial deficit of £15.4m. DSIT have confirmed that HMT will provide additional funding of £9m to offset the majority of the pressure in relation to the delayed fee review as a result of the General Election, meaning our financial deficit now stands at £6.4m as shown in Table 1.

The overall changes between the original budget deficit of £9.2m and the current revised budget deficit of £6.4m 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;
- Decrease of £9m for the confirmed new funding to cover the impact of the election delay to the fee review.

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

Summary of Risks and Opportunities

1. DP Fee Income Opportunity

Fee review

- The revised DP fee income 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 and reduce the deficit further.

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 aim of growing acquisitions above the 183,000 budgeted. These involve targeting people who should be paying our fee but currently don't. This means that we can increase our income, but also secures compliance with the regulations from those who don't pay and fairness to those who do.
- The estimated total additional potential opportunity for fee income in the current year £7.2m, with a potential additional £3.1m in fine income (the latter of which would likely be achieved over financial year 2024/25 and 2025/26).
- We are exploring alternative less costly ways to contact potential new registrants in our acquisition campaigns. Depending on how successful we are in finding alternatives, there could be additional mailing costs of up to £0.7m. Previous mailed campaigns have successfully generated more revenue than the cost and we will re-assess this risk over the second half of the financial year.

2. Fine Income Opportunity

- The ICO has recently issued a notice of intent to fine PSNI £0.75m 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 payment of the registration fee.

3. ICO Cashflow Risk

There is a risk associated with the ICO's cashflows due to the financial deficit forecast this financial year. This risk remains although has significantly reduced following the confirmation of additional funding to cover the General Election delay to the fee review.

The ICO has received a written going concern cover from DSIT confirming its status as lender of last resort and its commitment to providing the ICO with sufficient working capital.

Table 1: August Consolidated Management Accounts	Year To Date - August					Full Year				
	ICO Consolidated	Budget	Actual	Variance			Draft Budget	Revised Budget	Variance	23/24
		£'m	£'m	£'m		%	£'m	£'m	£'m	£'m
DP FEE INCOME	25.72	26.89	1.17	0.05		76.70	69.21	-7.49	66.20	
GRANT IN AID	3.37	8.06	4.69	1.39		7.20	16.15	8.95	9.70	
OTHER GOVERNMENT FUNDING	0.20	0.00	-0.20	-0.99		0.40	1.05	0.65	0.40	
FINE RETENTION INCOME	0.42	0.37	-0.05	-0.11		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	0.20	0.20	-		0.00	0.20	0.20	0.40	
TOTAL INCOME	29.71	35.52	5.82	0.20		85.00	87.61	2.61	87.60	
STAFF COSTS	29.83	28.77	1.06	0.04		71.60	72.36	0.76	68.70	
TRAINING AND RECRUITMENT	0.50	0.23	0.27	0.54		1.80	1.31	-0.49	0.90	
OFFICE COSTS	1.71	1.77	-0.05	-0.03		4.50	4.40	-0.10	4.70	
IT COSTS	2.54	2.49	0.05	0.02		7.00	6.70	-0.30	5.00	
PROJECT SPEND	0.34	0.17	0.17	0.50		3.50	3.86	0.36	0.00	
COMMUNICATIONS	0.13	0.05	0.07	0.57		0.50	0.42	-0.08	0.30	
FINANCIAL COSTS	0.19	0.10	0.09	0.48		0.50	0.40	-0.10	0.30	
TRAVEL	0.32	0.19	0.13	0.41		0.80	0.77	-0.03	0.70	
LEGAL, PROFESSIONAL & OTHER	1.09	0.78	0.30	0.28		4.00	3.80	-0.20	5.10	
TOTAL COSTS	36.62	34.55	2.08	5.68		94.20	94.02	-0.18	85.70	
Capital Spend	0.00	-0.04	0.04	-		0.00	0.00	0.00	1.90	
SURPLUS/(DEFICIT)	-6.92	1.01	7.93			-9.20	-6.41	2.79	0.00	

