

Financial Report – December 2024

Executive Summary

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

In November, we reported a total financial deficit of £1.8m. As at the end of December, we are now reporting a forecast surplus for the financial year end of £1.0m following adjustments to income and expenditure forecasts. In summary:

Expenditure

Expenditure has reduced by £0.2m net since last months report, with key movements outlined below:

- £0.3m increase to Legal, Professional and Other costs. This reflects an update from Legal that a litigation case expected to scheduled for early 2025/26 will now be heard in late March. This, however, reduces our potential commitments for the 2025/26 financial year.
- £0.2m reduction in Learning and Development costs. This is reduction in forecast due to delays in delivery of management development training.
- £0.2m reduction in IT costs following a deep dive contractual review of expenditure.
- £0.1m net reduction in project costs, accounting for £1.1m project costs being reported under Capital expenditure, with £2.6m within revenue expenditure.

Income

- £2.7m increase to Data Protection Fee income to include anticipated fee uplift income. We now have a high confidence in receiving additional income this financial year as the Statutory Instrument, which will follow a negative resolution process, has now been laid in Parliament;
- £0.1m decrease to Grant-in-Aid to align to DSIT's budget delegation and which aligns to the funding we have drawn down this financial year.

The overall changes between the original budget deficit of £9.2m and the current forecast surplus of £1.0m (illustrated in Table 1) are as follows:

- Reduction of £3.6m relating to identified cost reductions from pausing and deferring expenditure to 2025/26, offset by an increase of £1.0m to reflect the civil service pay remit;
- Reduction of £3.3m relating to increased DP fee income from improved income performance;
- Reduction of £1.1m for additional retained fine income;
- Reduction of £0.4m to incorporate other income;
- Reduction of £0.6m in other government funding for NIS and Regulatory Cyber activities;
- Increase of £9.4m for the further delayed fee review;
- Reduction of £9m for the confirmed new funding to cover the impact of the election delay to the fee review;
- Reduction of £2.7m for increase to 2024/25 DP income from fee uplift now anticipated from mid February;
- Increase of £0.1m for alignment to final Grant-in-Aid delegation

Summary of Risks and Opportunities

1. DP Fee Income Opportunity

Fee Income Performance

Fee income is ahead of our anticipated forecast year to date, and further work is being completed to assess whether this is a timing variance of whether we can expect to further outperform the fee income forecast this financial year.

The fee uplift has been forecast, but this impact is largely dependent upon customer behaviour, as some customers may pay earlier in order to avoid the fee uplift and there will be a period of additional financial exceptions as we make the changes which may result in incorrect fees being paid.

Third party pilot

There is £0.2m included in the financial forecast for anticipated DP fee income from the third party pilot being completed across Q3/Q4. This is an estimate which will need to be validated as the pilot results are evaluated.

2. Fine Income

There is a significant penalty in progress which could have an impact on the current financial year fine income position. It is not possible to quantify this at present.

3. Expenditure Opportunities

Now that we have a forecast surplus position, we are reviewing previously paused and deferred expenditure items with a view to bringing these forward into Q4 of the current financial year to ensure that we optimise our use of available funding across both financial years. These opportunities are being agreed and will be included in the financial forecast and reporting next month but the priorities identified are:

- Paying the backdated career banding uplifts to our staff;
- Delivery of the Cardiff office modernisation to ensure that we have offices that support hybrid working, improved collaboration and productivity, and that improve our employee experience;
- Bringing forward Customer Experience programme initiatives in line with the priority investment areas agreed for 2025/26.

Table 1: December Consolidated Management Accounts	Year To Date -December					Full Year			
	Budget	Actual	Variance			Draft Budget	Revised Forecast	Variance	23/24
	£'m	£'m	£'m	%		£'m	£'m	£'m	£'m
ICO Consolidated									
DP FEE INCOME	49.20	51.70	2.50	5%		76.70	73.3	-3.4	66.20
GRANT IN AID	6.13	16.03	9.90	162%		7.20	16.03	8.83	9.70
OTHER GOVERNMENT FUNDING	0.30	1.05	0.75	251%		0.40	1.05	0.65	0.40
FINE RETENTION INCOME	1.50	1.33	-0.17	-11%		0.70	1.75	1.05	4.00
DRAWDOWN FROM RESERVES	0.00	0.00	0	-		0.00	0	0	6.90
OTHER INCOME	0.00	0.33	0.33	-		0.00	0.4	0.4	0.40
TOTAL INCOME	57.13	70.44	13.31	23%		85.00	92.53	7.53	87.60
STAFF COSTS	53.35	53.64	0.29	1%		71.60	71.84	0.24	68.70
TRAINING AND RECRUITMENT	0.87	0.49	-0.38	-44%		1.80	0.93	-0.87	0.90
OFFICE COSTS	3.59	3.59	0	0%		4.50	5.06	0.56	4.70
IT COSTS	4.42	4.11	-0.31	-7%		7.00	6.3	-0.7	5.00
PROJECT SPEND (NON-CAPITAL)	2.11	0.43	-1.68	-80%		3.50	1.6	-1.9	0.00
COMMUNICATIONS	0.33	0.13	-0.2	-61%		0.50	0.39	-0.11	0.30
FINANCIAL COSTS	0.34	0.25	-0.09	-26%		0.50	0.4	-0.1	0.30
TRAVEL	0.5	0.39	-0.11	-22%		0.80	0.64	-0.16	0.70
LEGAL, PROFESSIONAL & OTHER	2.17	1.59	-0.58	-27%		4.00	3.3	-0.7	5.10
TOTAL REVENUE COSTS	67.68	64.62	-3.06	-5%		94.20	90.46	-3.74	85.70
Capital Spend	0.00	0.26	-0.26	-		0.00	1.10	1.10	1.90
SURPLUS/(DEFICIT)	-10.55	5.56	16.63	158%		-9.2	1.0	10.2	0.00