Financial Report – July 2025

Executive Summary

This report sets out the ICO's financial position at the end of July 2025 which represents a forecast £1.0m surplus at the end of the financial year. This has reduced since our last report by £0.4m mainly as a result of forecast reviews summarised below:

<u>Expenditure Forecast Updates</u>

- Staff cost forecast has been increased by £0.4m. The pay remit was budgeted at 3%, however the remit announced permits 3.25%, with a further targeted increase potential up to 0.5%. Whilst the ICO pay remit has not yet been formally agreed, we have increased the staff costs forecast to reflect the likely increased impacts. This has been reported previously as a risk.
- Office lease cost forecast has been increased by £0.1m to ensure the forecast reflects the in year costs of the new Manchester head office lease.

<u>Income Forecast Updates</u>

- Other income forecast has increased by £0.1m to recognise the continuation of partial year funding for the Digital Regulators Cooperation Fund Artificial Intelligence and Digital Hub pilot.

<u>Summary Financial Performance at July 2025</u>

Expenditure

The ICO has spent £30.7m year to date.

This represents around 95% of the budget set year to date. The variance of £1.5m is spread over several business areas.

Staff costs are our most significant cost. These are running below budget which phased in career banding pay increments from April and the pay remit from July. These payments once fully agreed will be backdated accordingly.

Income

The ICO has received £32.0m of total income year to date, slightly ahead of budget.

The full-year forecast remains above budget, secured by payments plans that we have agreed after the budgets were set. The realisation of these payment plans later in the year than originally planned will secure £1.6m more income than budgeted.

DP Fee income is £0.5m ahead of the profiled budget year to date, following a strong month for our campaigns to identify organisations that should be registered but have not been. This performance is masking the fact that our renewals rates are tracking below budget which is contributing to a risk of under delivery against the full year budget. Finance and Business Services have been working together to finalise a revised DP income forecast and this work will be concluded in August. This will be underpinned by detailed and re-profiled forecasts aligned to all acquisitions and renewals activities.

Risks and opportunities

DP Income

Based on updated performance and campaign analysis there is a risk of underperformance against the DP fee income budget of £1.1m.

This has reduced this month following a re-planning exercise on activities targeting late payment by existing registrants and identifying those that should be registered.

The main factor within our DP fee risk is a potential trend towards later renewal and payment of existing registrations below historic patterns, which we are monitoring.

We are continuing to mitigate risks of under performance by:

- carefully monitoring trends in renewals by organisations that are already registered to identify relevant follow-up in the case of failure to renew and pay on-time;
- planning and implementing targeted campaigns to identify organisations that should be registered and convert these into new registrations; and
- completing some market engagement following the fee finder pilot to understand potential areas of opportunity to support our DP registration and fee collection work.

Fine Income Retention

We are entitled to retain penalties that we recover to net off against specific legal enforcement and litigation expenditure. We recognise income once recovery is likely, although payment by those liable cannot be guaranteed. We will continue to closely monitor likely payment as the financial year progresses.

We have recovered £0.1m of the £3.4m expected fines to be retained this financial year. Until fines are received, there is a risk of payment plans defaulting. We have been made aware of a delay in a significant fine instalment payment expected in August of £1.5m. Our Financial Investigations Unit are working to put in place a revised payment plan, but the expectation at this stage is that this fine will still be fully paid, as expected, within the financial year.

Expenditure

The ICO is working with DSIT to understand potential resource impacts arising from proposed additional legislative reform that is not currently forecast.

The Finance team are working with the business to finalise a backlog of opportunities during August. This will ensure activity planned for future years can be advanced more quickly in the second half of the financial year, if needed, to avoid an end of year surplus position. These will be presented to Delivery Group in September, along with recommendations based on the financial forecast position at that time.

2024/25 Surplus

The ICO is in discussion with DSIT regarding the £1.3m surplus from 2024/25 and is seeking permission to retain this. This is currently reported within the ICO reserves position in the 2024/25 accounts.

Table 1: July Consolidated Management Accounts	Year to date			Full year			
	Budget	Actual	Variance	Budget	Forecast	Variance	24/25
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
DP FEE INCOME	28.8	29.3	0.5	95.3	95.3	0.0	73.8
GRANT IN AID	2.5	2.5	0.0	7.5	7.5	0.0	17.1
FINE RETENTION INCOME	0.6	0.1	-0.5	1.8	3.4	1.6	1.5
DRAWDOWN FROM RESERVES	0.0	0.0	0.0	0	0	0.0	0.0
OTHER INCOME	0.0	0.1	0.1	0.3	0.4	0.1	0.7
TOTAL INCOME	**31.9**	**32.0**	**0.1**	**104.9**	**106.6**	**1.7**	**93.1**
STAFF COSTS	25.3	24.9	0.4	80.2	80.6	-0.4	72.5
TRAINING AND RECRUITMENT	0.4	0.3	0.1	1.4	1.3	0.1	1.0
OFFICE COSTS (NON-CAPITAL)	1.3	1.1	0.2	3.9	4.0	-0.1	3.6
IT COSTS (NON-CAPITAL)	1.9	2.0	-0.1	6.3	6.4	-0.1	5.7
PROJECT SPEND (NON-CAPITAL)	0.9	0.2	0.7	5.1	5.0	0.1	1.3
COMMUNICATIONS	0.1	0.1	0.0	0.5	0.6	-0.1	0.2
FINANCIAL COSTS	0.1	0.1	0.0	0.4	0.4	0.0	0.4
TRAVEL	0.2	0.2	0.0	0.6	0.7	-0.1	0.6
LEGAL, PROFESSIONAL & OTHER	1.0	1.0	0.0	4.2	4.2	0.0	3.1
Sub-total	**31.2**	**29.9**	**1.3**	**102.6**	**103.2**	**-0.6**	**88.4**
Capital Cash Spend - Lease rentals							
Office costs	0.5	0.3	0.2	1.6	1.7	-0.1	1.3
IT costs	0.1	0.1	0.0	0.3	0.3	0.0	0.3
Total	**0.6**	**0.4**	**0.2**	**1.9**	**2.0**	**-0.1**	**1.6**
Capital Cash Spend - Other							
Estates	0.0	0.0	0.0	0.0	0.0	0.0	0.8
Delivery	0.4	0.4	0.0	0.4	0.4	0.0	0.9
Total	**0.4**	**0.4**	**0.0**	**0.4**	**0.4**	**0.0**	**1.7**
TOTAL COSTS	**32.2**	**30.7**	**1.5**	**104.9**	**105.6**	**-0.7**	**91.8**
SURPLUS/(DEFICIT)	**-0.3**	**1.3**	**1.6**	**0.0**	**1.0**	**1.0**	**1.3**