

Financial Report – April 2024

Executive Summary

This report sets out the year-to-date financial position for the first month of the new 2024/25 Financial Year. The opening position equates to the draft year-end position for 2023/24, which is currently still subject to audit.

Draft 2024/25 Budget

The 2024/25 budget has not yet been finalised and currently represents a deficit position of £9.2m detailed in table 1. This deficit is due to the impact of the delayed DP fee review, which is being implemented by DSIT, the ICO's sponsorship department.

DSIT have agreed they will support us with the management of the financial challenges we face, ensuring the risk is viewed as a risk both organisations are sharing. DSIT have recorded the risk of an ICO budget deficit as a pressure on their own budget and committed to working closely with us across the financial year as we jointly aim to resolve this position.

Budgeted Income

Grant in Aid (GiA) funding is budgeted at £7.2m, a reduction of £2.6m (26.5%) from 2023/24. This reduction is in relation to one off funding provided last financial year for the one-off cost of living payments to staff £1.7m, an overspend in relation to FOIA £0.5m and a reduction of £0.4m in relation to Adequacy Assessments which now need to be covered from our DP Income.

DP Fee Income is budgeted at £76.7m. The budget assumes an additional £10.5m (15.9%) from 2023/24 and assumes that the fee review is implemented by November. We are also seeking ways to optimise our income generation with a number of new initiatives in progress to increase our acquisitions performance, ensuring that all of those required by law to pay our fees do so.

Under current fees the ICO achieved an overall increase in fees in 2023/24 of 0.7%.

Other Government Income is budgeted at £0.4m in relation to our predicted expenditure for ringfenced NIS and eIDAS activities. This aligns to the expenditure and income levels for 2023/24.

Fine Income Retention is budgeted at £0.7m, a reduction of £3.3m (82.5%) from 2023/24. This reduction is in relation to the predicted lower levels of fine income the ICO expects to receive during 2024/25. This

means that some of the related expenditure which has been previously funded by fine income, is being funded by DP fee income instead.

Budgeted Expenditure

The overall draft budgeted expenditure represents an increase of £7.3m (8.4%) from the 2023/24 expenditure. Following initial submissions from budget holders, a first round of budget reductions has been completed and further challenge is now underway to identify and agree additional areas for reprioritisation, deferral of expenditure and expenditure reduction.

Risks and opportunities

1. There remain some risks and opportunities associated with the level of DP Income budgeted:
 - The risk that the fee review is further delayed or delivers outcomes that are different from current assumptions. The budget assumes the fee review concludes in October, with the standard increase across the current tier structure being implemented by November, with the 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 as quickly as possible. The public consultation is expected to be released before the end of May.
 - In 2023/24 we generated acquisitions of 125,736. The budget assumes we generate acquisitions of 146,400 and therefore already assumes a stretch target is achieved.
 - As noted above, we have a number of new initiatives in progress with the objective to optimise our income and increase the acquisitions performance. These include an HMRC pilot for data sharing, and potential partnering with a third party to assist the ICO to target people who should be paying our fee but currently don't. This not only ensures that we can increase our income, but also ensures compliance with the regulations, and fairness to those who do pay.
2. Current cashflow forecasts show that, based on the draft budget and, without further action, the ICO does not have sufficient inflows to meet expenditure-related outflows. There is a shortfall from August, peaking at £5.1m before reducing to an end of year shortfall of £1.8m as the assumed new fees take effect. DSIT are aware of potential cashflow timing issues across the financial year, even once the budget is reduced, we are working with them on the drawdown of GiA across different profiles to assist, as well as seeking assurance on sufficient working capital cover.

Table 1 – April Management Accounts

April Consolidated Management Accounts	Year To Date - April				Full Year	
	Budget	Actual	Variance		Draft Budget	2023/24 Interim
	£'m	£'m	£'m	%	£'m	£'m
DP FEE INCOME	£4.60	£4.71	£0.11	2%	£76.7	£66.2
GRANT IN AID	£0.60	£0.00	-£0.60	-100%	£7.2	£9.7
OTHER GOVERNMENT FUNDING	£0.03	£0.00	-£0.03	-100%	£0.4	£0.4
FINE RETENTION INCOME	£0.06	£0.00	-£0.06	-100%	£0.7	£4.0
DRAWDOWN FROM RESERVES	£0.00	£0.00	£0.00	0%	£0.0	£6.2
OTHER INCOME	£0.00	£0.00	£0.00	0%	£0.0	£0.4
TOTAL INCOME	£5.29	£4.71	-£0.58	-11%	£84.9	£86.8
OFFICE COSTS	£0.37	£0.27	£0.11	28%	£4.5	£4.7
STAFF COSTS	£5.94	£5.80	£0.14	2%	£71.6	£68.7
TRAINING AND RECRUITMENT	£0.15	£0.07	£0.08	56%	£1.8	£0.9
IT COSTS	£0.58	£0.38	£0.21	36%	£7.0	£4.8
PROJECT SPEND	£0.00	-£0.02	£0.02	0%	£1.2	£0.0
COMMUNICATIONS	£0.04	£0.04	£0.00	8%	£0.5	£0.3
FINANCIAL COSTS	£0.04	£0.04	£0.00	4%	£0.4	£0.2
TRAVEL	£0.06	£0.05	£0.01	23%	£0.8	£0.7
LEGAL, PROFESSIONAL & OTHER	£0.34	£0.10	£0.24	70%	£4.0	£3.7
TOTAL COSTS	£7.52	£6.71	£0.81	11%	£91.8	£84.0
Capital Spend	£0.19	£0.0	£0.19	100%	£2.2	£2.8
SURPLUS/(DEFICIT)	-£2.42	-£2.00	£0.42	65%	-£9.1	£0.0

