

# Budget FY 2023/24

20 March 2023  
Management Board

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# Introduction

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These slides provide the MB with the final budget for approval, following on from the financial scenarios for 2023/24 that were provided to MB in January. All budget holders have been engaged in the budget process, and the budget includes the current priorities as indicated within the ICO25 change portfolio.

There are some risks which remain to be resolved and these are also included in this report for transparency and visibility. ICO Finance continue to work in partnership with DSIT on these areas of risk and uncertainty with the aim of resolving these ahead of, or as early as possible within, the new financial year.

The context of the budget was set with the expectation that no additional growth would be requested outside of the areas where we had already identified a need to strengthen capacity and capability such as:

- DDaT to enable the delivery of our digital objectives aligned to ICO25
- Legal to strengthen our legal capacity and capability to deliver the outcomes aligned to ICO25
- Organisation Design changes to build greater resilience

# Overall Budget Summary

Summary Budget	2023/24
DP Income	£67.2m
Grant in Aid	£7.6m
Other Government Income	£0.7m
Fine Retention Income	£2.8m
Other Income	£0.1m
Reserves*	£6.9m
<b>Total Income</b>	<b>£85.3m</b>
Revenue Expenditure	£81.3m
Capital Expenditure	£4.0m
<b>Total Expenditure</b>	<b>£85.3m</b>
<b>Surplus / -Deficit Recurring Expenditure</b>	<b>£0.0m</b>

This slide pack presents a balanced budget, based on a set of funding assumptions, following Finance engagement with budget holders regarding budget needs and priorities in 2023/24 to deliver ICO25.

# Data Protection Income Assumptions

Income Type	Worst Case*	Mid Case	Best Case
<b>DP Fee Income</b>	<b>£65.3m</b>	<b>£67.2m</b>	<b>£70.8m</b>
DP Fee Renewal	88.5%	89.5%	90.5%
DP Fee Acquisitions	144,000	183,000	269,000

Our DP Income is affected by the ongoing economic downturn as a result of our current fee model relying heavily on SME's paying an annual registration fee. The scenarios above were reported to MB last month. For the budget we have set the assumptions at **Mid Case**.

## Renewal Assumptions

This remains difficult to predict but detailed trend analysis shows some small positive improvements across Q3 2022/23, indeed the current renewal rate for the 2022/23 at the time of finalising the budget is achieving 89.1% and therefore we believe that the mid case 89.5% is a prudent and achievable target for budgeting.

## Acquisition Assumptions

The budget scenario reflects the same level of new acquisitions as we expect to achieve in 2022/23. To achieve this, further geographical and sector targeting of the companies house data will be required alongside a review of our correspondence content to achieve the responses needed. We are also continuing to push for HMRC data sharing, gaining access to digital contacts for targeted business sectors. The costs of this acquisitions scenario have been reflected in our expenditure budget, meaning a reduction of 5 agency temp resources needed and a saving in our postage costs as a result of a reduction in mailing volumes.

\* Note the economic analysts view of the worst case income was £0.5m less than the worst case presented by Finance, at £64.8m.

# Other Income Assumptions

Income Type	Budget
Grant in Aid*	£7.6m
Other Government Funding*	£0.7m
RPF Grant	£0.1m
Fine Income Retention	£2.8m
Reserves	£6.9m
<b>Total Other Income</b>	<b>£18.1m</b>

\*Grant in Aid has not yet been confirmed by DCMS, but is anticipated to align to the figures in the table above. Other Government Funding has also yet to be confirmed regarding an expected £0.3m increase related to NIS. Due to the machinery of government changes the DCMS/ DSIT business planning process has not yet concluded.

ICO will receive the second part of the Regulatory Pioneers Grant funding in 2023/24 £0.1m.

Fine Income Retention income is a new source of income from 2022/23 onwards and this new agreement, which allows the ICO to retain some of the DP / PECR fine income to offset a proportion of ICO's legal costs, was approved by HMT in April 2022. The budget aligns to the assumption that all DP / PECR legal costs for enforcement and litigation can be recovered from fine income and includes the phase 1 request for increasing Legal resources for the Legal TOM (see risks slide 10).

Reserves funding is also assumed available, and funds costs incurred in the delivery of ICO25 commitments and to fund the transformation of the ICO (see slide 7 and risks slide 10).

# Expenditure Assumptions

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Assumptions included in the budgeted expenditure are as follows:

**Vacancies** – are budgeted with assumption of an October start date. In reality some vacancies will be recruited earlier and some later, this assumptions provides a means of averaging and setting a realistic the budget.

**Pay Remit** – assumes a further 3% pay remit set by HMT

**Career Band Uplifts** – applied pro rata % of career band uplifts aligned to the 2022/23 financial year

**Staff Turnover saving target** – this is the expected savings from slippage in recruitment timelines, additional leavers and delays in backfilling. Budget has been set at a saving of £3.3m. At Q2 in 2022/23 we had reset the years target at £3.0m and we are overachieving against this.

**Project Costs** – project mandates provide a high level estimate of the costs of delivery and scope and these have been used to set the budget.

**Reserves funding** – the following deliverables and resource is assumed to be funded from Reserves

- Project costs delivering ICO 25 outcomes, including the costs of the PMO – SME Data Essentials, Searchable Database, SAR Tool, Website Redesign, Accommodation Strategy implementation, ICE Improvements, ERP, Data Strategy development
- Directorate deliverables – Professions, Sentiments, Early Resolution training
- Capacity and Capability – Phase 1 Legal Policy, Advisory and Commercial resources, DDaT target operating model, consultancy costs directly supporting transformation

# Expenditure Budget 2023/24

Expenditure Category	2022/23 Forecast	2023/24	Variance (+ Decrease / - Increase)	% Variance (+ Decrease / - Increase)
Office Costs	£5.0m	£5.2m	-£0.2m	-4%
Staff Costs	£57.7m	£62.5m	-£4.8m	-8%
Training & Recruitment	£1.4m	£2.0m	-£0.6m	-43%
IT Costs	£5.0m	£6.3m	-£1.3m	-26%
Project Costs*	£2.8m	£0.7m	£2.1m	75%
Communication Costs	£0.3m	£0.5m	-£0.2m	-67%
Financial Costs	£0.2m	£0.2m	£0.0m	0%
Travel Costs	£0.4m	£0.5m	-£0.1m	-25%
Legal, Professional and Other	£3.5m	£3.5m	£0.0m	0%
<b>Total Revenue Expenditure</b>	<b>£76.3m</b>	<b>£81.3m</b>	<b>-£5.0m</b>	<b>-7%</b>
<b>Capital*</b>	<b>£1.3m</b>	<b>£4.0m</b>	<b>-£2.7m</b>	<b>-208%</b>
<b>Overall Expenditure</b>	<b>£77.7m</b>	<b>£85.3m</b>	<b>-£7.7m</b>	<b>-10%</b>

The expenditure aligns to the assumptions noted on slide 7. A movements narrative is included on the next slide.

\* There is a high level assumption regarding the ability to capitalise projects in 2023/24, the nature of the project and solution will be reviewed once more detail is known. There could be movement between revenue and capital assumptions during the year.



# Key Expenditure Movements from 2022/23

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Drivers for movements in expenditure year on year are:

**Office Costs £0.2m increase** – reduction in Postage costs for acquisitions mailings, offset by increases for new Belfast office, increased rental costs aligned with leases, utilities increases and general office repairs and maintenance costs.

**Staff Costs £4.8m increase** – growth reflected for DDaT and Legal, vacancies budgeted at 50%, and additional pay uplifts are budgeted.

**Training and Recruitment costs £0.6m** – increases aligned to the recruitment costs to support OD Phase 2 implementation as well as DDaT and Legal recruitment on top of BAU volumes, as well as additional investment in training, and implementation of Professions.

**IT Costs £1.3m increase** – increase associated with increased costs associated with a move to the Cloud, in addition to new Workday system licence and support costs.

**Project / Capital costs £0.6m increase** – as detailed on slide 7 re the ICO25 deliverables.

**Communication Costs £0.2m increase** – to implement improved Sentiment monitoring to help us measure and track the impacts of the ICO's work, as well as increased events and exhibitions

# Risks

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The main risks for 2023/24 and this budget are as follows:

**Reserves Funding** – at the time of submission to MB we do not yet have HMT approval to utilise the reserves of DP fees paid by organisations to fund our services in previous years, in order to reinvest these to deliver transformational improvements to the services we provide and to deliver against our ICO25 objectives. We have completed a 5 case business case for HMT approval as per the request at the end of January, which follows on from a paper requesting approval that was provided in October 2022. ICO / DSIT will work together with the aim of gaining this approval ahead of, or as early as possible within, the new financial year.

**Fine income** – we are seeking clarification on the conditions and scope of the legal costs that can be recovered against fine income following inconsistent wording being highlighted in the business case and approval letter as part of the interim audit process. ICO / DSIT are working to aim to resolve this position ahead of financial yearend.

**Income and Expenditure Assumptions** – assumptions underpinning the income and expenditure budgets will be monitored during the course of the year and flexed as required alongside frequent forecast reviews to update budget holder forecasts in line with what they expect to be able to spend. This will ensure underspends are returned to the centre quickly, for reprioritisation and reallocation to other priorities.

Questions?