

# Financial Report – September 2024

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## Executive Summary

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

In August we reported a total financial deficit of £6.4m. As at end of September, the deficit for the financial year end amounts to £4.3m, a decrease of £2.1m from last month incorporating the following changes:

In summary:

### Fine Income Retention

As reported last month, the ICO had issued a notice of intent to fine PSNI £0.75m for a data breach. This fine has since been imposed and paid in full in early October and is therefore now reflected in our end of year financial forecast (the actual receipt will be reported in October accounts).

### Expenditure

There's been a deep dive review of the ICO's expenditure forecasts now we are at halfway through the financial year and the expenditure has reduced by a net £1.1m summarised below:

- **Staff Costs** have reduced by £0.5m reflecting the positive financial impact on the deficit of the ongoing recruitment freeze intervention in place this financial year. We do have budgeted plans to invest in our Digital, Data and Technology capacity and capability in the second half of this financial year in line with our workforce strategy to ensure that we can continue to invest in the development of products and services that create further efficiencies.
- **Training and Development Costs** have reduced by £0.2m reflecting a small decrease in planned Health and Safety costs and the likely delivery of some training plans for the organisation slipping into Q1 2025/26.
- **Office Costs** have increased by £0.7m as we have increased our postage expenditure to support our Data Protection Income acquisitions campaigns to meet, and strive to further exceed if possible, our income forecasts.
- **Project Costs** have reduced by £1.0m, the majority of which is related to likely slippage of delivery plans into Q1 2025/26. This has

been caused predominantly by the previously reported reprioritisation exercise completed by delivery teams in Q1 due to limitations on funding for 2024/25.

- **Travel Costs** have reduced by £0.1m reflecting the financial interventions in place to restrict the volume of travel where possible to assist with the financial position.

#### Other Income

Other income relates to sundry income , as we have received a year to date actual of £0.2m at the end of September, the forecast has been increased to £0.4m for the full year.

The overall changes between the original budget deficit of £9.2m and the current revised budget deficit of £4.3m (illustrated in Table 1) are as follows:

- Reduction of £1.8m relating to identified cost reductions from pausing and deferring expenditure to 2025/26;
- Reduction of £1.1m relating to a deep dive forecast review at Q2;
- Reduction of £1.9m relating to increased DP fee income ;
- Reduction of £1.1m for additional retained fine income;
- Reduction of £0.4m 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).

#### 2. Fine Income Opportunity

- 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

This risk remains although has significantly reduced following the confirmation of additional funding to cover the General Election delay to the fee review. The risk now reflects the Q4, and carry forward, level of working capital available in cash reserves rather than a risk around a deficit of cash to meet operating activities.

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: September Management Accounts**

	Year to Date - September					Full Year - September		
ICO Consolidated	Budget	Actual	Variance			Draft Budget	Revised Budget	Variance
	£'m	£'m	£'m	%		£'m	£'m	£'m
<b>DP FEE INCOME</b>	31.54	32.52	0.98	0.03		76.70	69.21	-7.49
<b>GRANT IN AID</b>	4.06	10.96	6.90	1.70		7.20	16.15	8.95
<b>OTHER GOVERNMENT FUNDING</b>	0.20	0.00	-0.20	-0.99		0.40	1.05	0.65
<b>FINE RETENTION INCOME</b>	0.50	0.43	-0.07	-0.14		0.70	1.75	1.05
<b>DRAWDOWN FROM RESERVES</b>	0.00	0.00	0.00	-		0.00	0.00	0.00
<b>OTHER INCOME</b>	0.00	0.21	0.21	-		0.00	0.40	0.40
<b>TOTAL INCOME</b>	<b>36.31</b>	<b>44.13</b>	<b>7.82</b>	0.22		<b>85.00</b>	<b>88.56</b>	<b>3.56</b>
<b>STAFF COSTS</b>	36.12	34.36	1.77	0.05		71.60	71.86	-0.26
<b>TRAINING AND RECRUITMENT</b>	0.60	0.28	0.32	0.53		1.80	1.10	0.70
<b>OFFICE COSTS</b>	2.24	2.72	-0.47	-0.21		4.50	5.10	-0.60
<b>IT COSTS</b>	2.97	3.02	-0.05	-0.02		7.00	6.70	0.30
<b>PROJECT SPEND</b>	1.47	0.28	1.19	0.81		3.50	2.91	0.59
<b>COMMUNICATIONS</b>	0.19	0.09	0.11	0.55		0.50	0.42	0.08
<b>FINANCIAL COSTS</b>	0.22	0.15	0.07	0.31		0.50	0.40	0.10
<b>TRAVEL</b>	0.38	0.25	0.13	0.35		0.80	0.65	0.15
<b>LEGAL, PROFESSIONAL &amp; OTHER</b>	1.49	0.96	0.54	0.36		4.00	3.75	0.26
<b>TOTAL COSTS</b>	<b>45.69</b>	<b>42.10</b>	<b>3.59</b>	0.08		<b>94.20</b>	<b>92.89</b>	<b>1.32</b>
<b>Capital Spend</b>	<b>0.00</b>	<b>-0.04</b>	0.04	-		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>SURPLUS/(DEFICIT)</b>	<b>-9.39</b>	<b>2.06</b>	<b>11.45</b>			<b>-9.20</b>	<b>-4.33</b>	<b>4.87</b>

