



PHE Board

Title of meeting PHE Board
Date Wednesday 28 September 2016
Sponsor Michael Brodie
Title of paper 2016/17 Financial Review – Year to Date

1. PURPOSE OF THE PAPER

- 1.1 This paper presents a summary financial review for Public Health England for the period ended July 2016.

2. RECOMMENDATIONS

- 2.1 The PHE Board is asked to **NOTE** the summary financial position of PHE as at the end of reporting month four.

3. FINANCIAL POSITION

- 3.1 The high level summary financial position for PHE for the four months to July 2016 is shown in the table below. This demonstrates that PHE has achieved a year to date surplus of £4.0m and an anticipated break even position for year end.

2016/17 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Budget	Forecast	Variance
External Income	42.8	45.6	2.8	169.8	173.1	3.3
Core Expenditure:						
Pay	99.8	98.7	1.1	308.1	307.8	0.3
Non-pay	60.8	60.7	0.1	221.5	225.1	-3.6
Subtotal - PHE Core Functions	117.8	113.8	4.0	359.8	359.8	0.0
Depreciation	10.2	10.2	0.0	35.9	35.9	0.0
Local Authority Public Health Grant	846.9	846.9	0.0	3,387.5	3,387.5	0.0
Vaccines and Countermeasures	106.5	106.5	0.0	474.8	474.8	0.0
Grand Total – PHE	1,081.4	1,077.4	4.0	4,258.0	4,258.0	0.0

- 3.2 The year-to-date surplus is mainly underpinned by:

- (a) Dysport royalty income that is £0.8m in excess of the year-to-date budget. This is based on the first quarter receipt extrapolated to the end of the reporting period.

- (b) Total staff costs recorded a year-to-date underspend of £1.1m (1% of the year-to-date budget). Agency costs are included within the total staff cost underspend quantum - at a cost of £3.1m which is deemed reasonable in the context of covering vacancies;
- (c) Year-to-date underspends against the National Screening programme of £2.3m, which is as a result of slippage on non-pay commissioning spends for new pilots. This is especially where the budgets have been profiled to be higher in the first quarter in anticipation of set-up costs.

4. FINANCIAL POSITION BY DIRECTORATE

4.1 PHE's net expenditure by directorate for the year to date and full year forecast is shown below:

Financial position - end of July by Directorate Groupings (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
Tri-Directorate (Chief Knowledge Officer, Health & Wellbeing, Strategy)	45.2	41.1	4.1	138.6	138.4	0.2
Other National Directorates (Health Protection including Global Health, Nursing, Marketing)	15.8	13.8	2.0	66.2	66.6	-0.4
Operational Directorates (Regions & Centres, National Infection Services, Science Hub, Deputy CEO)	49.9	50.0	-0.1	149.7	149.7	0.0
Corporate Directorates (Communications, Corporate Affairs, Finance & Commercial, HR, Organisational Development and including royalty income)	6.9	8.9	-2.0	5.3	5.1	0.2
Total – CORE FUNCTIONS	117.8	113.8	4.0	359.8	359.8	0.0

- 4.2 Robust and realistic allocations have been agreed for each Directorate and this enabled an overall balanced and achievable budget to be agreed which is contained within the resource envelope available.
- 4.3 Despite the challenging financial climate, we have managed to maintain and protect our external funding streams.
- 4.4 The continued enhancement of our budget management processes has ensured we have a strong understanding of our staffing costs and potential recruitment pipeline, managing this explicitly to a defined establishment. This is the single biggest element of our cost base.
- 4.5 We have also quantified the known cost pressures that we are facing this financial year and are confident that through the management of these financial risks, clear reporting and financial discipline, we have the scope to meet any likely further pressures that may transpire later in the financial year.

4.6 The Management Committee of PHE receives and reviews a detailed report on the organisation's financial position on a monthly basis and provides high level scrutiny on the financial position and underlying assumptions. Financial plans are being monitored tightly in order to maintain overall balance across the organisation.

5. CAPITAL EXPENDITURE

5.1 The current capital funding for the 2016/17 year is shown in the table below:

Capital Funding & Programme - 2016/17 (£'000s)	Original Budget	Current Budget
Total General capital projects	46,020	48,923
Science Hub	15,592	15,592
Emergency vaccine stocks	124,643	124,633
3rd party grants: Local Authority projects	10,000	10,000
3rd party grants: fluoridation schemes	5,000	2,097
Total DH GIA capital funding	201,255	198,029

5.2 The allocation for the general programme includes funding for Porton Biopharma Limited (PBL). The full year budget for PBL is £17.5m (£20.2m less £2.7m over-programming). The budget allocated to PBL has a direct impact on the available budget to PHE.

5.3 Each month we review the benefits of completed major capital projects, making a comparison between the benefits as stated in the approved business case against those achieved post project delivery. A RAG rating score is given against three different criteria being:

- (a) Delivery - how well did the project deliver against the timelines stated in the business case;
- (b) Financial - whether the project was completed within budget;
- (c) Benefits Realised - to what extent were the expected benefits met after project completion.

5.4 Spend on the general capital programme to the end of July 2016 was £4.2m compared with a budget of £5.8m; £1.7m less than budget (27%).

5.5 To the end of July 2016 spend on PHE projects was £4.1m compared with a budget of £6.6m; £2.5m less than budget (37%). This excludes Porton Biopharma (PBL) projects. Actual spend can be broken down between types of project as follows:

Capital Position - July 2016/17 (£'000s)	YTD Budget	YTD Actual	Variance
Accommodation	3,241	2,467	774
Equipment	752	485	267
IT	1,816	1,438	378
Digital	796	-283	1,079
Over-Programming	-	-	-
Total	6,605	4,107	2,498

5.6 The Capital Group will continue to oversee the programme to ensure that we either delay lower priority projects to avoid overspending against budget, or bring projects forward to negate any risk of under spending.

6. CONCLUSION

6.1 The current financial performance provides strong early indication that our plans to balance the budget are robust and realistic.

6.2 We are identifying pressures quickly and gaining understanding in a similar timely manner in order to enact mitigation.

6.3 Hence, we continue to forecast a break-even position for the year.

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