



PHE Advisory Board

Title of meeting PHE Advisory Board
Date Wednesday 27 September 2017
Sponsor Michael Brodie
Title of paper 2017/18 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 2017.

2. RECOMMENDATIONS

2.1 The PHE Advisory 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 2017 is shown in the table below and demonstrates note that PHE has achieved a year to date surplus of £0.9m. This equates to a 0.9% positive variance against our core operating budget of £103.6m.

2017/18 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Budget	Forecast	Variance
External Income:	48.8	47.9	-0.9	175.5	174.6	-0.9
Core Expenditure:						
Pay	99.5	96.7	2.8	305.4	303.9	1.5
Non-pay	52.9	53.9	-1.0	219.5	220.1	-0.6
Subtotal - PHE Core Functions	103.6	102.7	0.9	349.4	349.4	0.0
Depreciation	10.1	10.1	0.0	37.3	37.3	0.0
Local Authority Public Health Grant	1,545.3	1,545.3	0.0	3,090.5	3,090.5	0.0
Vaccines and Countermeasures	107.3	107.3	0.0	439.8	439.8	0.0
Grand Total – PHE	1,766.3	1,765.4	0.9	3,917.0	3,917.0	0.0

- 3.2 Currently the Grant-in-aid (GIA) funding for PHE in 2017/18 stands at £3,917.0m. This funding is inclusive of:
- (a) £297.0m in respect of our baseline core GIA agreed with DH, as the second year of the Comprehensive Spending Review settlement;
 - (b) New GIA receipts in 2017/18 have been received in respect of National CEA award monies at £3.2m and the pump priming of nationally focused organisational development activities at £0.7m;
 - (c) £48.5m for the National Screening Programme, adjusting for new pilots;
 - (d) Non-cash funding for anticipated depreciation charges in respect of our asset base at £37.3m;
 - (e) Ring-fenced Local Authority Public Health Grant funding at £3,090.5m;
 - (f) Partly ring-fenced Immunisation and Counter-Measures (vaccines) funds, the budget for which is determined by the net expenditure incurred, which is currently forecast at £439.8m. PHE should neither gain nor suffer from a cost variance for the vaccines activities.

3.3 The year to date underspend for the organisation has arisen due to the following factors:

- (a) Within the year-to-date external income category, Sales & Services income is £1.5m below the budgeted estimates, which is 16.3% of the £9.3m budgetary expectation. This is mainly due to slippage in commercial activities such as vaccine development work and radiation related consultancy work, both of which are subject to seasonality and are expected to recover by the year end;
- (b) Pay costs are underspending, in the amount of £2.8m and 2.9% below the phased budget of £99.5m - inclusive of agency and secondment costs. The base payroll position is in line with our plans to manage on-going and future financial targets;
- (c) Premises costs are £1.0m and 8.3% above the phased budget of £11.8m. This includes additional spends against a number of categories such as rates, electricity, cleaning and security costs – such as additional rates costs for the newly acquired Harlow site, where we need to realign the budget subjective coding.

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 2017 by Directorate Groupings (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
Operational Directorates (Centres & Regions, National Infection Services, Science Hub, Deputy CEO)	51.0	50.9	0.1	154.2	154.2	0.0
Other National Directorates (Health Improvement, Health Protection including Global Health, Nursing, Marketing)	50.5	49.4	1.1	195.0	190.3	4.7
Corporate Directorates (Communications, Corporate Affairs, Finance & Commercial, HR, People, Strategy and including Porton Biopharma and royalty income)	2.1	2.4	-0.3	0.4	5.0	-4.7
Subtotal - Net Operating Expenditure	103.6	102.7	0.9	349.4	349.4	0.0
Depreciation	10.1	10.1	0.0	37.3	37.3	0.0
Local Authority Public Health Grant	1,545.3	1,545.3	0.0	3,090.5	3,090.5	0.0
Vaccines and Countermeasures	107.3	107.3	0.0	439.8	439.8	0.0
Total – PHE	1,766.3	1,765.4	0.9	3,917.0	3,917.0	0.0

- 4.2 Budgets are aligned through business planning to each directorate, thus allowing for the delivery of key priority areas as well as extracting the required cash-releasing savings.
- 4.3 At this early stage of the financial year PHE maintains a breakeven full year forecast; tentative indications suggest that Centres and Regions directorate will underspend by £1m due to expected pay underspends. This is likely to be offset by NIS directorate, which is prudently expected to overspend by £0.9m by year-end as historical cost pressures will likely marginally outweigh payroll slippage.
- 4.4 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 of 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 total capital funding for the 2017/18 year is shown in the table below:

Capital Funding & Programme - 2017/18 (£'000s)	Original Budget	Current Budget
Total General capital projects	45,000	45,000
Science Hub	45,500	45,500
Emergency vaccine stocks	49,161	28,047
Screening (Section 7a)	9,600	9,600
3rd party grants: fluoridation schemes	3,000	3,000
Total DH GIA capital funding	152,261	131,147

5.2 The allocation for the general programme includes funding for Porton Biopharma Limited (PBL). The full year budget for PBL is £13.3m. The budget allocated to PBL has a direct impact on the available budget to PHE and is overseen by the PHE Capital Group.

5.3 Spend on the general capital programme to the end of July 2017 was £4.9m compared with a budget of £7.5m; £2.6m less than budget (35%). To the end of July 2017, the actual spend can be broken down between types of project as follows:

- (a) Accommodation - £1.2m;
- (b) Equipment - £3.2m;
- (c) IT - £0.4m;
- (d) Digital - £0.1m.

5.4 We are confident that the agreed capital programme can be delivered in the year. This position will be reassessed at each monthly report:

- (a) The 2017/18 vaccines' budget allocation from DH is £28m, if this should change further the budget will be flexed and PHE will receive an allocation from DH that meets the actual expenditure.
- (b) PHE has a separate allocation in relation to the screening capital projects of £9.6m under section 7a. It is already likely that this full sum won't be required in year but any underspend will be returned to the Department of Health.
- (c) The 2017/18 Fluoridation forecast currently stands at £4.6m against an allocated budget of £3m, we have yet to reflect this in the general programme allocation as previous years have suggested that most fluoridation schemes do not progress at the envisaged rate. In effect, we are assuming a specific over-programming allowance of £1.6m.

6. CONCLUSION

- 6.1 We have built balanced budgets for each directorate for the financial year that incorporates the required savings as well as allowed each area to fund their key business plan priorities.
- 6.2 The year-to-date financial performance provides a strong indication that our plans to balance the budget are robust. Staff costs are in line with expectations. Income slippage is understood and is being mitigated by gains made elsewhere within the budget.
- 6.1 The Capital Group will oversee the capital 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.

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September 2017