



# PHE Advisory Board

**Title of meeting** PHE Advisory Board  
**Date** Wednesday 14 February 2018  
**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 December 2017.

## 2. RECOMMENDATION

2.1 The PHE Board is asked to **NOTE** the summary financial position of PHE as at the end of reporting month nine (end of third quarter).

## 3. SUMMARY FINANCIAL POSITION

3.1 The high level summary financial position for PHE for the nine months to December 2017 is shown in the table below. Please note that PHE has achieved a year to date surplus of £14.2m. This equates to a 0.5% positive variance against our year to date budget of £2,922.8m.

2017/18 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Budget	Forecast	Variance
External Income:	113.2	112.9	-0.3	175.2	176.3	1.1
Core Expenditure:						
Pay	227.7	220.7	7.0	306.5	298.6	7.9
Non-pay	147.1	139.6	7.5	220.4	226.8	-6.4
<b>Subtotal - PHE Core Functions</b>	<b>261.6</b>	<b>247.4</b>	<b>14.2</b>	<b>351.7</b>	<b>349.1</b>	<b>2.6</b>
Depreciation	22.3	22.3	0.0	24.5	24.5	0.0
Local Authority Public Health Grant	2,317.9	2,317.9	0.0	3,090.5	3,090.5	0.0
Vaccines and Countermeasures	321.0	321.0	0.0	426.7	426.7	0.0
<b>Grand Total – PHE</b>	<b>2,922.8</b>	<b>2,908.6</b>	<b>14.2</b>	<b>3,893.4</b>	<b>3,890.8</b>	<b>2.6</b>

## 4. FUNDING

- 4.1 Currently the Grant-in-aid (GIA) funding for PHE in 2017/18 stands at £3,893.4m. This funding is inclusive of:
- (a) £351.7 in respect of our baseline core GIA agreed with the Department of Health and Social Care (DHSC):
    - (i) £345.5m as the second year of the Spending Review settlement, inclusive of National Screening Programme funding at £48.5m;
    - (ii) New GIA receipts in 2017/18 received in respect of National Clinical Excellence Award monies at £3.2m and the pump priming of nationally focused organisational development activities at £3.0m such as Childhood Obesity monies at £0.8m and Overseas Development Assistance (ODA) monies of £0.7m based on the actual spend to quarter two;
  - (b) Immunisation and Counter-Measures (vaccines) funds, the budget for which is determined by the net expenditure incurred, which is forecast at £426.7m;
  - (c) Ring-fenced Local Authority Public Health Grant funding at £3,090.5m;
  - (d) Non-cash funding for anticipated depreciation charges in respect of our asset base at £27.3m; this is £24.5m for the core fixed asset base plus £2.8m related to Vaccines;
- 4.2 There are a number of potential GIA fund flows from DHSC that have yet to be agreed, or are still subject to ministerial sign off. A forecast has been included within the income category in the December accounts for pending GIA awards of £5.5m. These pending awards include further ODA monies of £1.6m and anticipated Fluoridation related capital expenditure with Local Authorities, at £3.2m.
- 4.3 In total we expect to receive external income receipts of £175.2m, which augments our core GIA funding and thus reduces our direct call on taxpayer funding. This means that the total expenditure budget for our core functions is £526.9m.

## 5 YEAR TO DATE FINANCIAL PERFORMANCE

- 5.1 The year to date underspend for the organisation has arisen due to the following factors:
- (a) National Screening Programme non-pay costs are underspent by £8.6m (36%); due to slippage on ICT infrastructure budgets at £6.6m and subcontracted services budgets at £2.0m;
  - (b) Pay costs are underspending in the amount of £7.0m; this remains at 3% below the phased budget, of £227.7m; this surplus position is wholly in line with our plans to manage on-going and future financial targets;
  - (c) In December we accrued for additional rates costs at the Porton site of £0.8m, in respect of a Valuation Office Agency (VOA) review of the ratable value for various demolitions and additions to the site since 2016; these additional charges are in the region of £0.5m per annum, back-dated to April 2016;

## 6. FINANCIAL POSITION BY DIRECTORATE

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

Financial position - end of December 2017 by Directorate Groupings (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
<b>Operational Directorates</b> (Regions & Centres, National Infection Services, Science Hub, Deputy CEO)	115.2	113.4	1.8	154.6	152.4	2.2
<b>Other National Directorates</b> (Health Improvement, Health Protection including Global Health, Nursing, Marketing)	138.8	126.6	12.2	197.7	184.8	12.9
<b>Corporate Directorates</b> (Communications, Corporate Affairs, Finance & Commercial, HR, People, Strategy and including PBL and royalty income)	7.6	7.4	0.2	-0.6	11.9	-12.5
<b>Subtotal - Net Operating Expenditure</b>	<b>261.6</b>	<b>247.4</b>	<b>14.2</b>	<b>351.7</b>	<b>349.1</b>	<b>2.6</b>
Depreciation	22.3	22.3	0.0	24.5	24.5	0.0
Local Authority Public Health Grant	2,317.9	2,317.9	0.0	3,090.5	3,090.5	0.0
Vaccines and Countermeasures	321.0	321.0	0.0	426.7	426.7	0.0
<b>Total – PHE</b>	<b>2,922.8</b>	<b>2,908.6</b>	<b>14.2</b>	<b>3,893.4</b>	<b>3,890.8</b>	<b>2.6</b>

6.2 Within the National Screening Programme, the Bowel Faecal Immunochemical Test (FIT) programme underspend has been reported to DHSC as part of the tri-partite discussions to agree a way forward; the underlying forecast against the programme has been revised downwards from £5.1m to £2.6m, to account for anticipated spend in the final quarter of 2017/18.

6.3 Further, year-end forecasts have been formulated for each directorate, including anticipated pay underspends. Underspends are being matched by slippage and provisions shown within Corporate Balances (which is a budget area used to record transactions that cannot be assigned to a specific directorate) - such as:

- (d) Redundancy costs estimated at £1.2m;
- (e) Spend agreed against cost pressures of £2.4m such as the Apprenticeship levy;
- (f) Pump-priming of new and emerging priorities at £2.2m - such as the Air Pollution Review and work on cardiovascular disease;
- (g) Provisions for bad debts and reduced EU income pending the conclusion of a number of audits, at £0.8m in total;

6.4 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.

## 7. CAPITAL EXPENDITURE

7.1 The total capital funding for the 2017/18 year is shown in the table below:

Capital Funding & Programme - 2017/18 (£'000s)	Original Budget	Current Forecast
General capital projects	30.3	31.6
Porton Biopharma	14.7	13.4
Science Hub	45.5	45.5
Emergency vaccine stocks – additions	46.7	24.9
Emergency vaccine stocks – disposals	-49.4	-39.1
Screening (Section 7a)	9.6	1.6
3rd party grants: fluoridation schemes	3.0	3.0
<b>Total DH GIA capital funding</b>	<b>100.4</b>	<b>80.9</b>

- 7.2 PHE’s capital programme consists of individual projects covering all aspects of its operations. In practice, most projects relate to facilities within the National Infections Services Directorate, ICT projects and to accommodation schemes overseen by the Estates & Facilities team. Spend on the general capital programme to the end of December 2017 was £16.6m compared with a budget of £21.0m; £4.4m less than budget (21%).
- 7.3 The allocation for the general programme includes funding for Porton Biopharma Ltd (PBL). The budget allocated to PBL has a direct impact on the available budget to PHE and is overseen by the PHE Capital Group.
- 7.4 PHE has acquired the former GSK site at Harlow at a cost of £30.0m (including irrecoverable VAT). This cost was included in the Science Hub budget for the year.
- 7.5 PHE’s capital funding allocation includes amounts for “vaccines assets”. These assets are emergency stocks which would be used if required. They are recorded in the accounts as assets even though they are “stocks” by nature. The cash amount is not fixed; it will be whatever the actual costs are in the year.
- 7.6 A ring-fenced allocation has been provided for screening projects, agreed under the Section 7A programmes. The requirement for funding for this financial year is now £1.6m.
- 7.7 The 2017/18 Fluoridation forecast currently stands at £3.5m 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 £0.5m.
- 7.8 We are confident that the capital programme can be delivered in the year, using an over-programming allowance to balance the budget and by bringing forward projects

from 2018/19, if possible. This position will be monitored and reassessed on a monthly basis.

## **8. CONCLUSION**

- 8.1 The current financial performance provides a strong indication that our plans to balance the budget are adequate.
- 8.2 We continue to identify expenditure budget slippage and anticipated income gains – and have used these released funds to cover unavoidable cost pressures and to also pump prime new and emerging priorities – and we will continue to utilise this flexibility as the financial year progresses.
- 8.3 We also track our recruitment pipeline in detail and are fully cognisant of the financial discipline required in respect of impending restructure plans and the subsequent achievement of future savings targets.
- 8.4 Work continues in each directorate to refine forecast likely year end positions.. In doing this, we will ensure that the agency maximises its resources whilst delivering the planned break-even financial position.
- 8.1 The Capital Group oversees 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.

**Michael Brodie**

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January 2018