



PHE Board Paper

Title of meeting PHE Board
Date Wednesday 24 February 2016
Sponsor Michael Brodie
Title of paper 2015/16 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 2015.

2. RECOMMENDATIONS

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

3. FINANCIAL POSITION

- 3.1 The high level financial position for PHE for the year to December 2015 is shown in the table below.

2015/16 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Budget	Forecast	Variance
External Income	108.9	105.4	-3.5	173.9	165.1	-8.8
Core Expenditure:						
Pay	232.7	223.6	9.1	309.4	303.2	6.2
Non-pay	168.7	163.4	5.3	263.5	260.9	2.6
Subtotal - PHE Core Functions	292.5	281.6	10.9	399.0	399.0	0.0
Depreciation	16.9	16.9	0.0	28.1	28.1	0.0
Local Authority Public Health Grant	3,031.2	3,031.2	0.0	3,031.2	3,031.2	0.0
Vaccines and Countermeasures	372.0	372.0	0.0	482.2	482.2	0.0
Grand Total – PHE	3,712.6	3,701.7	10.9	3,940.5	3,940.5	0.0

- 3.2 The Agency has produced a year-to-date surplus of £10.9m for the first nine months of the financial year, which equates to 4% of our Op Ex budget based on our core functions.

3.3 The year-to-date surplus recorded against our core functions is underpinned by:

- (a) Foreseen payroll underspends, at £9.1m and 4% of the budgetary allowance. These pay underspends are being seen as a result of expected vacancies from the Securing our Future programme restructures. The agency is also intentionally holding some vacancies in lieu of the savings targets for 2016/17 and beyond – as indicated by the indicative spending review funding outcome;
- (b) Non-pay slippage of £11.8m in respect of national screening programme costs, due to the profiling of take-up of Bowel Scope screening in particular;
- (c) Expenditure above budget being recorded against laboratory costs, in the amount of £2.8m. This is related to time limited dual running of new technology platforms and maintenance costs for new equipment; the latter of which will be mitigated by a review of the overall level of maintenance provision required;
- (d) The absorption of year-to-date costs for the Science Hub programme, at £6.2m. These are those costs incurred prior to the agreement of the outline business case that cannot be capitalised, such as the site holding fee.

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 December by Directorate (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
Chief Knowledge Officer	28.3	27.2	1.1	39.9	39.9	0.0
Health & Wellbeing	82.8	70.3	12.5	128.9	107.8	21.1
Strategy	2.2	1.9	0.3	3.1	2.9	0.2
Health Marketing	31.3	28.1	3.2	49.7	47.9	1.8
Nursing	0.7	0.6	0.1	1.2	1.2	0.0
Regions & Centres	59.6	52.9	6.7	79.2	73.6	5.6
National Infections Service	59.6	60.2	-0.6	79.5	87.7	-8.2
Health Protection	21.0	22.6	-1.6	27.4	28.2	-0.8
Corporate Directorates	6.9	17.7	-10.8	-9.9	9.8	-19.7
Subtotal - Net Operating Expenditure	292.5	281.6	10.9	399.0	399.0	0.0
Depreciation	16.9	16.9	0.0	28.1	28.1	0.0
Local Authority Public Health Grant	3,031.2	3,031.2	0.0	3,031.2	3,031.2	0.0
Vaccines and Countermeasures	372.0	372.0	0.0	482.2	482.2	0.0
Total – PHE	3,712.6	3,701.7	10.9	3,940.5	3,940.5	0.0

4.2 The latest forecast shows that the Agency still expects to break even whilst also delivering on our remit and key business plan objectives. This includes scope to meet further pressures that may transpire later in the final quarter of the financial year.

- 4.3 The breakeven forecast position fully incorporates all major financial issues, including:
- (a) Projecting likely full year pay costs by understanding the agency's recruitment pipeline for the remainder of the year and also anticipating our agency and secondment staff needs;
 - (b) Providing (within Corporate Services directorate) for the likely number of staff exit costs that will transpire by year end - due to our organisational restructuring programmes. These exit costs are estimated at £6m, being cognisant of the timing constraints given by the consultation processes themselves, the uncertainties of the impending redundancy cap for high earners and the anticipated delays in obtaining Cabinet Office sign offs;
 - (c) Absorbing (within National Infection Service directorate) the full year revenue costs of the Science Hub programme, estimated at £8.2m;
 - (d) Projecting an expected reduced dividend payment (within Corporate Services directorate) from Porton Biopharma Limited, due to the reduced profit being forecast by the company, corporation tax payable and the effect of lost depreciation funding;
 - (e) Prioritised spend to cover known cost pressures and to also provide new monies for previously unfunded key initiatives such as priority led social marketing campaigns.
- 4.4 The Management Committee of PHE receives and reviews a detailed report on the agency's financial position on a monthly basis and provides high level scrutiny on the financial position and underlying assumptions.

5. CAPITAL EXPENDITURE

- 5.1 The total capital funding for the 2015/16 year is shown in the table below:

Capital Funding & Programme - 2015/16 (£'000s)	Original Budget	Current Budget
Total General capital projects	45,000	45,910
Porton Biopharma – Opening adjustment	-	2,500
Science Hub	26,200	4,000
Emergency vaccine stocks	63,000	61,221
3rd party grants: Local Authority projects	10,000	10,000
3rd party grants: fluoridation schemes	5,000	1,590
Total DH GIA capital funding	149,200	125,221

- 5.1 Spend on the general capital programme to the end of December 2015 was £14.0m compared with a budget of £18.3m; £4.3m less than budget (24%).

5.2 To the end of December 2015 spend on PHE projects was £11.0m compared with a budget of £14.7m; £3.7m less than budget (25%). Actual spend can be broken down between types of project as follows:

- Accommodation £7.2m
- Equipment £2.3m
- IT £1.5m

5.3 To date Porton Biopharma Limited has spent £3.0m against a budget of £3.6m; £0.6m behind budget (18%). Actual spend can be broken down between types of project as follows:

- Accommodation £0.6m
- Equipment £2.4m

5.4 The general capital programme forecast is now expected to underspend by £5m against the current budget of £45.9m.

5.5 The forecast underspend is partly due to a number of major projects now being completed in 16/17 rather than 15/16 and the reduced fluoridation forecast that effectively adds £3.4m to the PHE general programme.

5.6 The impact of the underspend is that these costs will now fall into the 2016/17 year, creating an impact on next year's capital programme which we are actively managing.

6. CONCLUSION

6.1 We have a full understanding of each major budget variance, our recruitment pipeline and especially the effects of any planned re-configurations of staffing structures in respect of the Securing or Future programme.

6.2 We have covered all known significant unfunded cost pressures, provided monies for new key initiatives and now have coverage for the redundancy costs that we should expect to incur within 2015-16.

6.3 We remain assured that the final financial position for 2015/16 will be contained within balance.

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