

PHE Board Paper

Title of meeting PHE Board
Date Wednesday 23 March 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 January 2016.

2. RECOMMENDATIONS

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

3. CURRENT FINANCIAL POSITION

- 3.1 The high level financial position for PHE for the year to January 2016 is shown in the table below.

2015/16 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Budget	Forecast	Variance
External Income	120.7	122.8	2.1	173.9	161.2	-12.7
Core Expenditure:						
Pay	259.5	249.6	9.9	310.9	301.5	9.4
Non-pay	190.2	191.2	-1.0	273.6	270.3	3.3
Subtotal - PHE Core Functions	329.0	318.0	11.0	410.6	410.6	0.0
Depreciation	18.8	18.8	0.0	43.1	43.1	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	388.5	388.5	0.0	482.2	482.2	0.0
Grand Total - PHE	3,767.5	3,756.5	11.0	3,967.1	3,967.1	0.0

- 3.2 The Agency has produced a year-to-date surplus of £11.0m for the first ten months of the financial year, which equates to 3% of our Op Ex budget based on our core functions and a £0.1m increase in the month of January itself.
- 3.1 The Local Authority Public Health grant monies have now been fully paid to all Local Authorities. The payments are inclusive of the 0-5 children's monies from October and the £200m reduction in the overall grant as announced earlier in the year.
- 3.2 PHE's costs include those relating to the Vaccine and Counter-Measures function, the budget for which is determined by the net expenditure incurred, which is currently forecast at £482.2m. PHE should neither gain nor suffer from a cost variance for the vaccines activities, receiving rebates from DH based solely on actual costs incurred.
- 3.3 The year-to-date surplus recorded against PHE core functions is predominantly underpinned by:
- (a) Payroll underspends at £9.9m, which remains at 4% below the budgetary allowance and is expected due to the high vacancy factor caused by staffing reconfigurations and the intention holding of various vacancies in lieu of the savings targets for 2016/17 and beyond;
 - (b) £12.1m of the underspend relates directly to continued slippage against the National Screening programme, due to lower than expected take-up of Bowel Scope screening in particular;
 - (c) Science Hub revenue programme costs of £7.5m have been absorbed in the year-to-date numbers, being the programme costs that cannot be capitalised and where we have elected not to receive Grant-in-Aid monies from DH;

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 January by Directorate (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
Chief Knowledge Officer	32.2	31.0	1.2	39.9	40.1	-0.2
Health & Wellbeing	96.0	80.4	15.6	140.4	119.6	20.8
Strategy	2.6	2.1	0.5	3.1	2.9	0.2
Health Marketing	31.7	29.9	1.8	49.7	47.6	2.1
Nursing	0.8	0.6	0.2	1.2	1.2	0.0
Regions & Centres	66.1	58.8	7.3	79.2	71.8	7.4
National Infections Service	59.1	61.0	-1.9	71.5	80.5	-9.0
Health Protection	24.5	24.5	0.0	28.8	28.3	0.5
Corporate Directorates and Royalties	16.0	29.7	-13.7	-3.2	18.6	-21.8
Subtotal - Net Operating Expenditure	329.0	318.0	11.0	410.6	410.6	0.0
Depreciation	18.8	18.8	0.0	43.1	43.1	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	388.5	388.5	0.0	482.2	482.2	0.0
Total - PHE	3,767.5	3,756.5	11.0	3,967.1	3,967.1	0.0

- 4.2 The current end of financial year forecast for PHE remains at breakeven, including full confidence that we can meet any further cost pressures that may transpire in the remainder of the financial year whilst also delivering on all of our key priorities.
- 4.3 And the forecast position is inclusive of the following material items:
- (a) Gross pay underspends of £9.3m, which are inclusive of a redundancy provision of £5.7m for staff exits that are planned before year end;
 - (b) Screening Operations underspends of £17.0m. The bulk of this underspend is based on current assumptions around Bowel Scope, which is forecast to underspend by £15m;
 - (c) An anticipated shortfall of £6.2m in relation to the expected Porton Biopharma Ltd dividend payment; based on the latest estimated profit levels of the company, the corporation tax due and the effect of lost depreciation funding;
 - (d) The full year estimate of the Science Hub programme revenue costs, at £8.0m.
- 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	42,035
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	1,465
Total DH GIA capital funding	149,200	121,221

- 5.1 Spend on the general capital programme to the end of January 2016 was £15.1m compared with a budget of £18.7m; £3.6m less than budget (19%).
- 5.2 Actual spend can be broken down between types of project as follows:
- Accommodation £9.2m
 - Equipment £4.0m
 - IT £1.9m
- 5.3 To date Porton Biopharma has spent £3.8m against a budget of £5m; £1.2m behind budget (24%). Actual spend can be broken down between types of project as follows:

- Accommodation £0.6m
- Equipment £3.2m

- 5.4 Significant expenditure is scheduled for the months of February and March. However, given the programme is currently running almost £5m behind budget there is a high likelihood of a full year underspend, likely to be around £4-5m against the budget of £42m. The forecast underspend is due to a number of major projects now taking place in 2016/17 rather than 2015/16 and the reduced fluoridation forecast that effectively adds £3.5m to the PHE general programme - the fluoridation forecast has reduced due to the proposed schemes not progressing at the rate envisaged. This reduction effectively increases the funding available for PHE's general programme.
- 5.5 The National Panel has sat and finalised the successful bids for the £10m Capital Drugs and Alcohol Recovery Grant scheme. The full £10m has been allocated, with the total number of bids being successful standing at 50 - with a range from £5k to £750k in value.
- 5.6 The 2015/16 vaccines' budget allocation from DH stands at £61.2m. This budget is expected to remain the same until the full year out-turn is known, whereby PHE will be awarded budget from DH in-line with actual expenditure.

6. CONCLUSION

- 6.1 We continue to assess and revise our likely year end position in all areas – drawing up detailed forecasts, assessing all underlying financial risk and instigating corrective action as required.
- 6.2 We have a strong understanding of the major budget variances, our recruitment pipeline and our major risk areas.
- 6.3 We have prioritised our contingency fund to cover any significant unfunded cost pressures, all planned staff exit costs and to also provide monies for new key initiatives and priorities.
- 6.4 We remain assured that any further cost pressures can be absorbed within our current funding envelope.
- 6.5 In summary, we are confident that the financial position will be contained within balance.

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