



# PHE Board

**Title of meeting** PHE Board  
**Date** 26 November 2014  
**Sponsor** Michael Brodie  
**Title of paper** 2014/15 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 half year ended September 2014.

## 2. Recommendations

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

## 3. Financial position

- 3.1 The high level summary financial position for PHE for the half year to September 2014 is shown in the table below. As expected due to the profiling of expenditure, PHE has achieved a year to date surplus of circa £5m. This expected position has enabled PHE to prioritise its resources to facilitate the delivery of its strategic priorities, key business plan objectives and to meet a range of other cost pressures. Robust financial plans are in place to support this delivery, which are cognisant and fully compliant with spending controls. And this means that the forecast outturn position, at this stage, is to break-even.

2014/15 (£m)	Year to date			Full Year		
	Current Budget	Actual	Variance	Budget	Forecast	Variance
<b>External income</b>	<b>122.7</b>	<b>121.5</b>	<b>(1.2)</b>	<b>177.1</b>	<b>176.5</b>	<b>(0.6)</b>
<b>Expenditure:</b>						
Pay	155.4	146.2	9.2	314.6	308.0	6.6
Non-pay	301.5	304.7	(3.2)	598.6	604.6	(6.0)
Local Authority grants	1,397.5	1,397.5	-	2,794.9	2,794.9	-
Depreciation	11.3	11.3	-	30.0	30.0	-
<b>Total Expenditure</b>	<b>1,865.7</b>	<b>1,859.7</b>	<b>6.0</b>	<b>3,738.1</b>	<b>3,755.7</b>	<b>0.6</b>
<b>Net Expenditure</b>	<b>1,632.5</b>	<b>1,624.0</b>	<b>4.8</b>	<b>3,561.0</b>	<b>3,561.0</b>	<b>-</b>

- 3.2 PHE's non-pay costs include the costs relating to the Immunisation and Counter-Measures (vaccines) activities, the budget for which is determined by the net expenditure incurred. PHE should neither gain nor suffer from a cost variance for the vaccines activities. The current forecast is a net cost of £347.4m.
- 3.3 The year to date surplus position is mainly underpinned by staffing vacancies, with pay costs showing a net underspend of £9.2m. These staffing underspends are significant but were expected due to vacancy levels at the start of the year. They also reflect the impact of accommodation rationalisations deferring recruitment plans and, importantly, prudent resource management creating capacity in advance of the outcome of PHE's Strategic Review and the expected future spending allocations for 2015/16 and beyond.
- 3.4 Travel cost are currently underspent by £1.2m, representing not only the underlying vacancy levels, but also the positive impact of the roll out of Microsoft Lync to all staff as a mechanism for person to person or group video conferencing. Utilisation rates of Lync have been excellent and the impact is not only a reduction in spend, but also improved sustainability through reduced carbon emissions, improvement to staff wellbeing and increased collaboration.
- 3.5 This year to date position includes the absorption of numerous in-year cost pressures such as initial slippage in respect of the new National Institute for Health Research (NIHR) Health Protection Research Unit (HPRU) research and development projects, where income recovery is £1.9m adverse year to date.
- 3.6 The anticipated current financial performance, net of identified cost pressures, has enabled PHE to prioritise its resources to facilitate the delivery of previously unfunded strategic priorities and key business plan objectives such as the whole genome sequencing roll-out.
- 3.7 The Management Committee of PHE receives and reviews a report on the agency's financial position on a monthly basis and provides high level scrutiny on the financial position and underlying assumptions. And all resource reprioritisations have now been agreed by Resourcing and Prioritisation Group and these have been profiled within budgets to occur in the second half of the financial year.
- 3.8 It is therefore forecast that the year-end outturn position for the agency will be break even and budgets will be re-profiled accordingly

#### 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.

<b>PHE: Financial position - end September 2014 by Directorate</b>	<b>Year to date Budget (£m)</b>	<b>Year to date Actual (£m)</b>	<b>Year to date Variance (£m)</b>	<b>Full Year Budget (£m)</b>	<b>Full Year Forecast (£m)</b>	<b>Full Year Variance (£m)</b>
Health Protection	27.9	26.8	1.1	54.5	54.5	-
Health & Wellbeing – General	47.1	45.2	1.9	114.7	114.6	0.1
Health & Wellbeing - Health Mktg	14.6	14.6	-	53.5	53.5	-
Knowledge	16.4	15.8	0.6	37.4	35.9	1.5
Operations	67.5	66.6	0.9	122.3	122.0	0.3
Corporate Functions	7.9	7.6	0.3	36.3	38.2	(1.9)
<b>Total Net Operating Expenditure</b>	<b>181.4</b>	<b>176.6</b>	<b>4.8</b>	<b>418.7</b>	<b>418.7</b>	<b>-</b>
Local Authority Grants	1,397.5	1,397.5	-	2,794.9	2,794.9	-
Vaccines Programme	164.6	164.6	-	347.4	347.4	-
<b>Total PHE</b>	<b>1,743.5</b>	<b>1,738.7</b>	<b>4.8</b>	<b>3,561.0</b>	<b>3,561.0</b>	<b>-</b>

4.2 All directorates are effectively forecasting that they can manage within their funding envelope.

#### 5. Capital expenditure

5.1 The total capital funding for the 2014/15 year is shown in the table below:

<b>PHE Capital Funding &amp; Programme - 2014/15</b>	<b>£000s</b>
General capital projects	45,000
Science hub	17,500
Emergency vaccine stocks	30,400
3 <sup>rd</sup> party grants: drugs & alcohol projects	10,000
3 <sup>rd</sup> party grants: fluoridation schemes	5,000
<b>Total DH capital funding</b>	<b>107,900</b>

5.2 The financial outturn on the general capital programme to the end of September 2014 was £15.8m compared with a budget of £16.3m; £0.5m less than budget (3.1%).

- 5.3 Actual spend on the general programme can be broken down between types of project as follows :
- Accommodation £5.5m
  - Equipment £6.8m
  - IT £3.5m
- 5.4 The drugs and alcohol grant programme will spend the full £10m budget in 2014/15 in a similar manner to the 2013/14 programme where circa 70 allocations were made to local authorities for values between £5k and £875k. The bidding process for 2014/15 allocations commenced in November.
- 5.5 Monitoring the financial position of capital projects is of critical importance and helps PHE to manage its financial flows and funding for significant items of expenditure which often don't fall neatly into financial years. Minimising slippage in delivery helps to ensure the utilisation of capital funding is maximised. However, managing the financial position is only one aspect and is a consequence of the delivery or non-delivery of projects which will either directly have a public health benefit or indirectly support the delivery of public health goals. As such, the Management Committee receive a detailed capital report each month which provides a clear narrative of progress and an understanding of the latest delivery confidence of each of the major projects on the capital programme. 'Major' being defined as being greater than £1m in total project value and/or greater than £500k of budgeted expenditure in the year.
- 5.6 Despite the current capital spend being slightly lower than planned, the overall programme remains marginally over-programmed so we remain confident that the programme agreed with Department of Health will be delivered by the year end within budget.

## **6. Conclusion**

- 6.1 PHE has ensured its resources are being effectively utilised and that all in-year cost pressures have been mitigated - and forecasts a break-even position for the year.

**Michael Brodie**

*Finance and Commercial Director*

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