



# PHE Board

**Title of meeting** PHE Board  
**Date** Wednesday 27 January 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 November 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 eight.

## 3. FINANCIAL POSITION

- 3.1 The high level financial position for PHE for the year to November 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	97.1	93.9	-3.2	173.9	165.7	-8.2
Core Expenditure:						
Pay	207.2	198.5	8.7	309.4	303.8	5.6
Non-pay	143.7	141.2	2.5	263.5	261.0	2.5
<b>Subtotal - PHE Core Functions</b>	<b>253.8</b>	<b>245.8</b>	<b>8.0</b>	<b>399.0</b>	<b>399.0</b>	<b>0.0</b>
Depreciation	15.1	15.1	0.0	28.1	28.1	0.0
Local Authority Public Health Grant	2,316.0	2,316.0	0.0	3,031.2	3,031.2	0.0
Vaccines and Countermeasures	244.7	244.7	0.0	486.5	486.5	0.0
<b>Grand Total - PHE</b>	<b>2,829.6</b>	<b>2,821.6</b>	<b>8.0</b>	<b>3,944.8</b>	<b>3,944.8</b>	<b>0.0</b>

- 3.2 The Agency has produced a year-to-date surplus of £8m for the eight months of the financial year, which equates to 3% 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) Anticipated payroll underspends, at £8.7m and 4% of the budgetary allowance. These pay underspends are being seen as a result of expected vacancies from Securing our Future programme restructures. We are also intentionally holding some vacancies in lieu of the savings targets for 2016/17 – as indicated by the indicative spending review funding outcome;
- (b) Slippage of £9.3m in respect of non-pay screening programmes costs, due to lower than expected take-up of Bowel Scope screening in particular;
- (c) Expenditure above budget being recorded against laboratory costs, in the amount of £2.0m. 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 review of the overall level of maintenance provision required;
- (d) The absorption of year-to-date costs incurred in respect the Science Hub programme, at £6.0m. These are those costs prior to the agreement of the outline business case that cannot be capitalised, such as the 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 November by Directorate (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
Chief Knowledge Officer	25.2	24.0	1.2	39.9	39.9	0.0
Health & Wellbeing	71.9	61.1	10.8	128.9	108.9	20.0
Strategy	1.9	1.7	0.2	3.1	2.9	0.2
Health Marketing	23.8	23.7	0.1	49.7	49.7	0.0
Nursing	0.6	0.5	0.1	1.2	1.2	0.0
Regions & Centres	53.2	47.0	6.2	79.2	74.1	5.1
National Infections Service	47.3	53.6	-6.3	71.5	79.5	-8.0
Health Protection	18.9	19.5	-0.6	27.4	28.3	-0.9
Corporate Directorates	11.0	14.7	-3.7	-1.9	14.5	-16.4
<b>Subtotal - Net Operating Expenditure</b>	<b>253.8</b>	<b>245.8</b>	<b>8.0</b>	<b>399.0</b>	<b>399.0</b>	<b>0.0</b>
Depreciation	15.1	15.1	0.0	28.1	28.1	0.0
Local Authority Public Health Grant	2,316.0	2,316.0	0.0	3,031.2	3,031.2	0.0
Vaccines and Countermeasures	244.7	244.7	0.0	486.5	486.5	0.0
<b>Total - PHE</b>	<b>2,829.6</b>	<b>2,821.6</b>	<b>8.0</b>	<b>3,944.8</b>	<b>3,944.8</b>	<b>0.0</b>

4.2 The latest forecast shows that the Agency still expects to break even, including confidence that we have the scope to meet any further pressures that may transpire later in the financial year whilst also delivering on our key objectives.

- 4.3 The breakeven forecast position fully incorporates all major 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 staff restructuring programmes enacted to deliver future savings. These exit costs are estimated at £6m, being cognisant of the timing constraints of the consultation processes themselves, the uncertainties of the impending redundancy cap and 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 £8m;
  - (d) Projecting a reduced dividend payment (within Corporate Services directorate) expected from Porton Biopharma Limited, now standing at £6m below the original estimation - due to the impact of corporation tax and the effect of lost depreciation funding – neither of which impinges on overall taxpayer value;
  - (e) Prioritising expenditure budgets to cover known cost pressures and to also provide monies for 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:

<b>Capital Funding &amp; Programme - 2015/16 (£'000s)</b>	<b>Original Budget</b>	<b>Current Budget</b>
Total General capital projects	45,000	45,173
Porton Biopharma – Opening adjustment	-	2,500
Science Hub	26,200	4,000
Emergency vaccine stocks	63,000	61,106
3rd party grants: Local Authority projects	10,000	10,000
3rd party grants: fluoridation schemes	5,000	2,327
<b>Total DH GIA capital funding</b>	<b>149,200</b>	<b>125,106</b>

- 5.1 Spend on the general capital programme to the end of November 2015 was £11.8m compared with a budget of £13.2m; £1.4m less than budget (11%).
- 5.2 To the end of November 2015 spend on PHE projects was £9.2m compared with a budget of £10.9m; £1.7m less than budget (16%). This excludes Porton Biopharma (PBL) projects (see 6.3). Actual spend can be broken down between types of project as follows:

- Accommodation £6.0m
- Equipment £2.2m
- IT £1.0m

5.3 To date Porton Biopharma Limited has spent £2.6m against a budget of £2.3m; £0.3m ahead of budget Actual spend can be broken down between types of project as follows:

- Accommodation £0.6m
- Equipment £2.0m

5.4 The general capital programme forecast is anticipated to be in line with the current budget of £45.2m. The Capital Group will continue to monitor the progress of all projects within the programme and will bring forward high priority items from future years or delay lower priority projects accordingly

5.5 The 2015/16 Fluoridation forecast currently stands at £2.3m against an original budget of £5m. The reduction of £2.7m from the original budget is due to the proposed schemes not progressing at the rate envisaged, this reduction effectively increases the funding available for PHE's general programme.

5.6 The 2015/16 vaccines' budget allocation from DH stands at £61.1m. As this changes during the year it will be via agreement with DH and PHE will receive more or less funding accordingly.

## 6. CONCLUSION

6.1 We have a strong understanding of the major budget variances, our recruitment pipeline and especially the effects of any planned re-configuration of staffing in respect of the Securing or Future programme.

6.2 We have covered any 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 financial position will be contained within balance.

**Michael Brodie**

*Finance and Commercial Director*

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