



PHE Board

Title of meeting PHE Board
Date Wednesday 25 November 2015
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 September 2015.

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 financial position for PHE for the half year to September 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	73.9	72.2	-1.7	174.7	168.3	-6.4
Core Expenditure:						
Pay	155.1	149.1	6.0	307.7	302.4	5.3
Non-pay	95.7	94.2	1.5	264.5	263.4	1.1
Subtotal - PHE Core Functions	176.9	171.1	5.8	397.5	397.5	0.0
Depreciation	3.5	3.5	0.0	28.1	28.1	0.0
Local Authority Public Health Grant	700.4	700.4	0.0	2,801.5	2,801.5	0.0
Vaccines and Countermeasures	150.9	150.9	0.0	486.5	486.5	0.0
Grand Total – PHE	1,031.7	1,025.9	5.8	3,713.6	3,713.6	0.0

3.2 The Agency has produced a year-to-date surplus of £5.8m for the first half of the financial year, which equates to 3% of our Op Ex budget based on our core functions.

- 3.3 Slippage to date on screening programmes contributes £4.3m to this underspend, due to lower than expected take-up of the Bowel Scope screening programme in particular.
- 3.4 The year-to-date surplus recorded against our core functions is further underpinned by:
- (a) expected payroll cost underspends, at £6.0m and 4% of the budgetary allowance. These pay underspends are mostly being seen as a result of the underlying vacancy factor (net of some unavoidable agency and secondment costs). We are also intentionally holding some vacancies in lieu of the likely savings targets for 2016/17 - in respect of the awaited spending review outcome.
 - (b) continued underspends seen against staff related costs, at £1.3m and 16% of the budgetary allowance; travel costs are lower than budget as a result of initiatives such as Lync and training costs are similarly lower than budget due to the underlying vacancy factor;
 - (c) being offset by the full absorption of the year-to-date costs incurred in respect of the Science Hub programme, at £4.9m. These are those costs prior to the agreement of the business case that cannot be capitalised.

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 September by Directorate (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
Chief Knowledge Officer	18.6	17.3	1.3	39.7	38.6	1.1
Health & Wellbeing	51.2	45.3	6.0	129.0	114.2	14.8
Strategy	1.3	1.4	-0.1	3.1	3.1	0.0
Health Marketing	10.8	10.4	0.4	45.8	49.6	-3.8
Nursing	0.4	0.4	0.0	1.2	1.2	0.0
Regions & Centres	40.1	35.6	4.5	79.3	75.0	4.3
National Infections Service (incl. Science Hub)	34.2	40.1	-5.9	70.6	78.9	-8.3
Health Protection	13.2	13.4	-0.2	25.7	26.4	-0.7
Corporate Directorates (incl. Dividends and Royalties)	6.9	7.2	-0.3	3.2	10.4	-7.2
Subtotal - Net Operating Expenditure	176.8	171.1	5.8	397.5	397.5	0.0
Depreciation	3.5	3.5	0.0	28.1	28.1	0.0
Local Authority Public Health Grant	700.4	700.4	0.0	2,801.5	2,801.5	0.0
Vaccines and Countermeasures	150.9	150.9	0.0	486.5	486.5	0.0
Total – PHE	1,031.7	1,025.9	5.8	3,713.6	3,713.6	0.0

- 4.2 We have now prepared an indicative forecast for each Directorate. This forecast includes:

- (a) understanding our staffing costs and potential recruitment pipeline;
- (b) providing for known unfunded cost pressures such as new marketing campaigns agreed by Ministers;
- (c) providing for our outstanding priorities and key objectives.

4.3 The indicative forecast shows that the Agency is still on target to break even, including confidence that we have the scope to meet any further pressures that may transpire later in the financial year.

4.4 This breakeven forecast position fully incorporates all our known major risks, including:

- (a) the projected reduced dividend within Corporate Services in respect of Porton Biopharma (PBL), at an estimate of £5m - based on the limited company being subject to corporation tax on its profits and its effective loss of depreciation funding;
- (b) the absorption of the Science Hub programme revenue costs for the full year within National Infection Service directorate, estimated at £8.2m.

4.5 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	43,455
Porton Biopharma – Opening adjustment	-	2,500
Science Hub (if capital from August 2015 onwards)	26,200	4,000
Emergency vaccine stocks	63,000	61,106
3 rd party grants: Local Authority projects	10,000	10,000
3 rd party grants: fluoridation schemes	5,000	4,045
Total DH GIA capital funding	149,200	125,106

5.1 To the end of September 2015 spend on PHE projects was £5.9m compared with a budget of £7.5m; £1.6m less than budget (27%). This excludes Porton Biopharma projects. Actual spend can be broken down between types of project as follows:

- Accommodation £3.7m
- Equipment £1.5m
- IT £0.7m

- 5.2 The 2015/16 vaccines' budget allocation from DH stands at £61.1m. If this changes during the year it will be via agreement with DH and PHE will receive more or less funding accordingly.
- 5.3 The current capital forecast is in line with plans. 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.

6. CONCLUSION

- 6.1 We have a good picture of our likely year end position in all areas. We have understood our major cost pressures and are actively looking to mitigate them, especially those that are recurrent in nature. For those that we cannot mitigate in-year, we are clear on how they will be funded in the immediate.
- 6.2 We are controlling staffing, especially in terms of maintaining the flexibility afforded to us by vacant posts, using this to re-configure functions in order to achieve a more optimal structure for the future.
- 6.3 Finance managers continue to work with operational budget holders to monitor progress against budgetary plans; seeking corrective action where necessary and including the non-recurrent use of monies where applicable - in line with the objectives and priorities of the relevant department.
- 6.4 And we remain fully confident that the financial position can be fully contained within balance.

Michael Brodie
Finance and Commercial Director
November 2015