

PHE Board Paper

Title of meeting PHE Board
Date Wednesday 26 April 2017
Sponsor Michael Brodie
Title of paper **2017/18 PHE Budgets**

1. PURPOSE OF THE PAPER

- 1.1 This paper presents the Board with a summary of PHE's revenue and capital budgets for 2017/18.

2. RECOMMENDATIONS

- 2.1 The PHE Board is asked to:
- (a) **NOTE** the PHE Budget for 2017/18 and the key facets which make it up;
 - (b) **NOTE** that directorates have reprioritised resources to key business plan deliverables and priorities as necessary, including the Mental Health taskforce and activity in support of the Childhood Obesity plan;
 - (c) **NOTE** that the budget setting process has facilitated reprioritisation of resources to continue the non-recurrent support of high priority objectives such as Antimicrobial resistance (AMR), Tuberculosis (TB), Health Economics and Diabetes Prevention.

3. 2017/18 REVENUE FUNDING

- 3.1 PHE's overall Grant-in-aid (GIA) from the Department of Health for 2017/18 is £3,924.0m, and is broken down as follows:
- (a) Our **core operating budget** allocation is **£297.0m** and whilst we don't have formal written confirmation of this yet (like other Arm's Length Bodies) this is the agreed planning assumption we have been working closely with DH finance colleagues on;
 - (b) The revenue budget allocation for our **screening programmes** is **£48.5m**; this is a net increase of £4.6m from 2016/7, being the net cost of new pilots;
 - (c) **Vaccine and Countermeasures activities (VCR)**: the budget has been reset at **£450.7m** based on the latest plans for this activity; PHE should neither gain nor suffer from a cost variance for vaccine activities and ultimately the budget will be flexed to match our spend;

- (d) the ring fenced **local authority public health grant** allocations for 2017/18 and the grant conditions were published by DH in February. The allocation is **£3,090.5m**, which includes the agreed further reduction of 2.5% from the equivalent baseline figure for 16/17 and excludes grant monies for the Local Authorities of Greater Manchester – where funding is being retained from local business rates as part of a pilot programme;
- (e) **Depreciation:** the non-cash funding allocation has been set at **£37.3m**, as per 2016/17. This retains the allocation of £7.8m for accelerated depreciation costs in respect of the Science Hub.

3.2 Outside of the funding settlement above and after ministerial approval, we should expect to receive additional GIA monies from DH totaling £10m for specific items. The pending GIA monies thus included within the budget is broken down as follows:

- (a) National Clinical Excellence Awards monies of £3.3m, based on those medical consultants receiving awards in 2016/17 that will remain an employee of PHE;
- (b) Oversees Development Aid related monies of £4.0m, to be given as GIA on a quarterly basis based on the latest forecast of each project;
- (c) Workforce, talent management and skills passport monies of £300k in total, in line with the allocation received in 2016/17;
- (d) Childhood Obesity Strategy and Responsibility Deal monies of £480k and £260k respectively;
- (e) Transfer of £1.7m from the Vaccines budget to core operating costs, to cover the period after the contract for vaccines logistics management becomes an in-house service during 2017/18.

3.3 Like similar organisations in order to meet our challenging spending review targets we will incur on off transitional costs associated with ensuring the delivery of savings plans e.g. redundancy payments. We expect further redundancy costs in 2017/18, especially in respect of the ongoing National Infections Service restructure. We have negotiated with DH to ensure that such funding is available to us in 2017/18 (estimated at £2.5m) subject to an agreed business case.

4. SUMMARY OF THE NET OPERATING BUDGET POSITION FOR 2017/18

4.1 In order to deliver a balanced and achievable budget within the relevant funding envelope, we have had to identify further savings against our core operating budget of £13.1m in 2017/18. This is made up of:

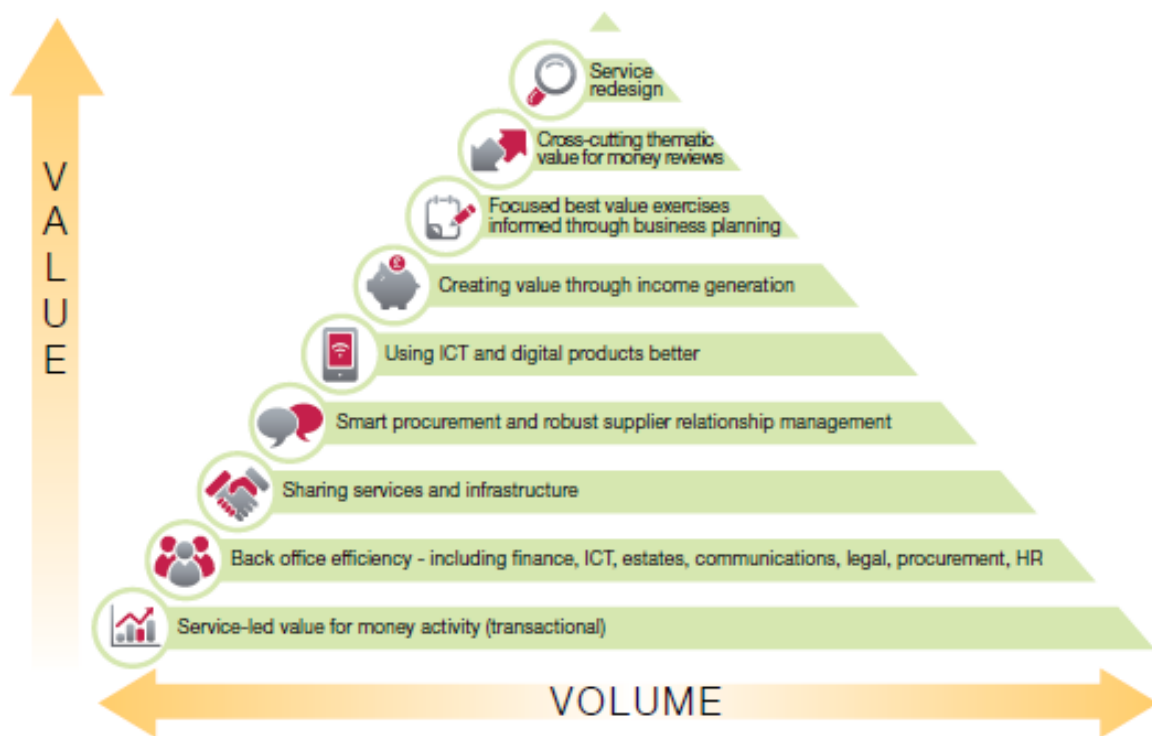
- (a) Delivering cash releasing GIA savings of £5.5m (including £0.2m additional science hub project costs);
- (b) Due to pay and price increases, to continue providing the services that we do now will cost us more in 2017/18 than it did in 2016/17. There are a number of these standstill pressures that we have had to absorb, which total £7.6m and include the following aspects:
 - (i) 1% pay award, for Civil Service and other applicable grades - £3.0m;
 - (ii) Incremental drift, for relevant pay scales - £1.1m;

(iii) Non-pay price inflation, against our goods and services - £4.5m

(iv) Less sales income price inflation, chargeable on our products – (£1.0m)

4.2 By the end of 2016/17 we will have delivered recurrent savings of £130m p.a. and these savings were delivered primarily through the service redesign brought about by the Securing our Future programme. In doing so we have restructured the organisation and redesigned our service delivery model. This has enabled PHE to deliver the challenging front loaded savings target required by the Spending Review, which has effectively helped us get ahead of the curve in respect of the savings requirement in a managed way.

4.3 As a result, rather than a further major reorganisation, it is planned that the new Taxpayer Value strategy (shown pictorially below) will be the basis by which savings for 2017/18 and future years will be delivered, with a focus on spending well and spending wisely, delivering economy, efficiency and effectiveness in all that we do.



4.4 A detailed report on the Taxpayer Value Strategy and the focus of each of the individual elements will be brought to a future Board meeting.

4.5 So whilst challenging, in the context of the broader outcome of the Spending Review across the Public Sector, the settlement and the savings target is reasonable and has allowed a balanced and achievable budget to be set after overlaying our Taxpayer Value strategy.

5. CORE FUNDING ALLOCATIONS BY DIRECTORATE

5.1 After a robust budget setting process, harmonised and run in parallel with business planning, the overall following baseline budget allocations have been agreed for each directorate (including internal recharging) as follows:

	External Income	Expenditure	GIA/Net Budget	WTE (staff)
CKO	2,027.5	41,104.7	39,077.3	652
Health & Wellbeing	3,762.7	43,979.8	40,217.1	373
Strategy	0.0	2,702.0	2,702.0	35
Subtotal: Tri-directorate	5,790.2	87,786.5	81,996.3	1,060
Nursing	0.0	1,241.0	1,241.0	12
Health Marketing	1,370.0	43,272.0	41,902.0	94
Health Protection	23,973.0	49,371.2	25,398.3	535
Subtotal: Other National directorates	25,343.0	93,884.2	68,541.3	641
Deputy CEO	59.6	1,328.0	1,268.4	11
National Infections Service	106,798.7	184,680.2	77,881.5	2,170
Centres & Regions	629.8	69,054.0	68,424.2	1,022
Science Hub	0.0	7,000.0	7,000.0	10
Subtotal: Operational directorates	107,488.1	262,062.2	154,574.0	3,213
Communications	478.5	4,905.9	4,427.4	73
Corporate Affairs	0.0	5,016.5	5,016.5	68
Corporate Balances and Royalties	40,168.7	(18,791.8)	(58,960.5)	
Finance & Commercial	75.0	35,815.8	35,740.8	287
Human Resources	0.0	3,640.3	3,640.3	53
Organisational & Workforce Development	345.3	2,347.3	2,002.0	27
Subtotal: Corporate functions	41,067.5	32,933.9	(8,133.6)	508
Core Functions	179,688.8	476,666.8	296,978.0	5,422
Screening Programme	750.0	49,250.0	48,500.0	97
Vaccine & Countermeasures	71,945.0	522,627.0	450,682.0	
Local Authority Public Health Grant	0.0	3,090,533.0	3,090,533.0	
Depreciation	0.0	37,329.0	37,329.0	
PHE Total	252,383.8	4,176,405.8	3,924,022.0	5,519

5.2 Within this overall budget we have been able to prioritise additional funding to pump prime some of our key business plan priorities. Additional funding has been allocated to the following programmes as follows:

- (a) AMR - £0.5m;
- (b) TB - £0.465m;
- (c) Health Economics - £1m;
- (d) Diabetes Prevention– £0.5m;

6. 2017/18 CAPITAL FUNDING

- 6.1 Whilst again, funding has not yet been confirmed in writing, we have agreed with DH that, for working purposes, we will assume similar levels to the current year for the general allocation, which covers our main operational functions and we have agreed specific indicative amounts for the screening and vaccines programmes. A full breakdown of the capital programme for 17/18 will be provided in next month's report.

7. CONCLUSION

- 7.1 We have developed a robust, balanced and achievable budget for 2017/18, where all directorates have been allocated funding that ensures PHE lives within the set financial envelope whilst still allowing each area to deliver against their business plan and other priorities. This has been confirmed at each business plan validation meeting.
- 7.2 We are required to deliver the £13.1m required of us by DH and our cost pressures, including the release of £5.5m in actual cash releasing savings. This builds on the circa £130m recurrent savings delivered by PHE since its inception.
- 7.3 This has been delivered by careful integrated business and budget planning and some frontloaded savings from 2016/17, which has also allowed us to continue pump priming some key priorities such as AMR, TB, Diabetes and Health Economics.

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