



# PHE Advisory Board

**Title of meeting** PHE Advisory Board  
**Date** Wednesday 21 March 2018  
**Sponsor** Michael Brodie  
**Title of paper** 2017/18 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 2018.

## 2. RECOMMENDATION

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

## 3. SUMMARY FINANCIAL POSITION

- 3.1 The high level summary financial position for PHE for the ten months to January 2018 is shown in the table below. PHE has achieved a year to date surplus of £10.9m. This equates to a 0.3% positive variance against our year to date budget of £3,757.8m.

| 2017/18<br>(£'ms)                    | YEAR-TO-DATE   |                |             | FULL YEAR      |                |            |
|--------------------------------------|----------------|----------------|-------------|----------------|----------------|------------|
|                                      | Current Budget | Actual         | Variance    | Full Budget    | Forecast       | Variance   |
| External Income:                     | 126.5          | 127.7          | 1.2         | 174.3          | 176.5          | 2.2        |
| Core Expenditure:                    |                |                |             |                |                |            |
| Pay                                  | 252.9          | 245.2          | 7.7         | 306.2          | 297.3          | 8.9        |
| Non-pay                              | 164.6          | 162.6          | 2.0         | 220.0          | 226.0          | -6.0       |
| <b>Subtotal - PHE Core Functions</b> | <b>291.0</b>   | <b>280.1</b>   | <b>10.9</b> | <b>351.9</b>   | <b>346.8</b>   | <b>5.1</b> |
| Depreciation                         | 24.7           | 24.7           | 0.0         | 25.5           | 25.5           | 0.0        |
| Local Authority Public Health Grant  | 3,090.5        | 3,090.5        | 0.0         | 3,090.5        | 3,090.5        | 0.0        |
| Vaccines and Countermeasures         | 351.6          | 351.6          | 0.0         | 425.6          | 425.6          | 0.0        |
| <b>Grand Total – PHE</b>             | <b>3,757.8</b> | <b>3,746.9</b> | <b>10.9</b> | <b>3,893.5</b> | <b>3,888.4</b> | <b>5.1</b> |

#### **4. FUNDING**

- 4.1 Currently the Grant-in-aid (GIA) funding for PHE in 2017/18 stands at £3,893.5m. This funding is inclusive of:
- (a) £351.9 in respect of our baseline core GIA agreed with the Department of Health and Social Care (DHSC):
    - (i) £345.5m as the second year of the Spending Review settlement, which represents our net operating budget of £297m and National Screening Programme funding at £48.5m;
    - (ii) New GIA receipts in 2017/18 received in respect of National Clinical Excellence Award monies for the relevant medical consultants at £3.3m and the pump priming of specific key programmes of activity at £3.1m, such as Childhood Obesity;
  - (b) Immunisation and Counter-Measures (vaccines) funds, the budget for which is determined by the net expenditure incurred, which is forecast at £426.6m;
  - (c) Ring-fenced Local Authority Public Health Grant funding at £3,090.5m;
  - (d) Non-cash funding for anticipated depreciation charges in respect of our asset base at £25.5m; this is £27.3m inclusive of £1.8m depreciation related to Vaccines;
- 4.2 There are a number of GIA fund flows from DHSC that have yet to be finalised, but for which funding is expected imminently. A forecast has been included within the income category in the January accounts for pending GIA awards of £4.1m. These pending awards include further ODA monies of £0.9m and anticipated Fluoridation related capital expenditure with Local Authorities, at £3.2m.

#### **5 YEAR TO DATE FINANCIAL PERFORMANCE**

- 5.1 The year to date underspend for the organisation has arisen due to the following factors:
- (a) Pay costs are underspending in the amount of £7.8m, which remains at 3% below the phased budget, of £252.9m; this surplus position is wholly in line with our plans to manage on-going and future financial targets;
  - (b) The National Screening Programme is reporting non-pay cost underspends of £7.4m (21%); this is due to slippage on ICT infrastructure budgets at £5.6m and subcontracted services budgets at £1.9m;
  - (c) Premises costs are recording an overspend of £2.9m; additional rates costs in respect of a Valuation Office Agency review at the Porton site total £0.8m (£0.5m per annum backdated to 2016); excess utility costs at the Porton and Chilton sites that total £1.2m;
  - (d) Laboratory consumables costs are now overspent by £1.4m (4%) which is related a large adverse swing in January itself of £1.1m – this swing was forecast and is mainly due to kit expenditure within the Regional laboratories as

a result of additional clinical testing during the flu season (this additional workload will be recharged to customers as per the terms of each contract);

## 6. FINANCIAL POSITION BY DIRECTORATE

6.1 PHE's net expenditure by directorate for the year to date and full year forecast is shown below:

| Financial position - end of January 2018 by Directorate Groupings (£'ms)   | Year to date   |                |             | Full Year        |                    |            |
|--|----------------|----------------|-------------|------------------|--------------------|------------|
|  | Current budget | Actual         | Variance    | Full Year Budget | Full Year Forecast | Variance   |
| <b>Operational Directorates</b> (Regions & Centres, National Infection Services, Science Hub, Deputy CEO)  | 128.5          | 127.4          | 1.1         | 154.8            | 152.6              | 2.2        |
| <b>Other National Directorates</b> (Health Improvement, Health Protection including Global Health, Nursing, Marketing)                             | 153.5          | 141.5          | 12.0        | 197.8            | 185.0              | 12.8       |
| <b>Corporate Directorates</b> (Communications, Corporate Affairs, Finance & Commercial, HR, People, Strategy and including PBL and royalty income) | 9.0            | 11.2           | -2.2        | -0.7             | 9.2                | -9.9       |
| <b>Subtotal - Net Operating Expenditure</b>  | <b>291.0</b>   | <b>280.1</b>   | <b>10.9</b> | <b>351.9</b>     | <b>346.8</b>       | <b>5.1</b> |
| Depreciation   | 24.7           | 24.7           | 0.0         | 25.5             | 25.5               | 0.0        |
| Local Authority Public Health Grant  | 3,090.5        | 3,090.5        | 0.0         | 3,090.5          | 3,090.5            | 0.0        |
| Vaccines and Countermeasures   | 351.6          | 351.6          | 0.0         | 425.6            | 425.6              | 0.0        |
| <b>Total – PHE</b>   | <b>3,757.8</b> | <b>3,746.9</b> | <b>10.9</b> | <b>3,893.5</b>   | <b>3,888.4</b>     | <b>5.1</b> |

- 6.2 Within the National Screening Programme, the Bowel FIT programme is forecast to underspend by £5.1m, due to delays in the finalisation of the tri-partite arrangements.
- 6.3 The remaining forecast for PHE is breakeven, and is underpinned by a forecast pay underspend that has updated to £8.9m (3%) offset by slippage and provisions contained within Corporate Balances; the pay surplus is as expected given the underlying vacancy levels and impending restructure plans that has led to delayed recruitment as appropriate; slippage and provisions include the absorption of redundancy costs at £1.2m, contingency fund spend agreed against cost pressures (£2.4m) and approved spend against emerging priorities (£2.2m) such as Air Pollution, Cardiovascular Disease prevention and the Apprenticeship Levy.
- 6.4 The Management Committee of PHE receives and reviews a detailed report on the organisation's financial position on a monthly basis and provides high level scrutiny of the financial position and underlying assumptions. Financial plans are being monitored tightly in order to maintain overall balance across the organisation.

## 7. CAPITAL EXPENDITURE

7.1 The total capital funding for the 2017/18 year is shown in the table below:

| Capital Funding & Programme - 2017/18<br>(£'000s) | Original<br>Budget | Current<br>Forecast |
|---|--------------------|---------------------|
| General capital projects                          | 30.3               | 32.8                |
| Porton Biopharma                                  | 14.7               | 13.4                |
| Science Hub                                       | 45.5               | 45.5                |
| Emergency vaccine stocks – additions              | 46.7               | 24.9                |
| Emergency vaccine stocks – disposals              | -49.4              | -39.1               |
| Screening (Section 7a)                            | 9.6                | 1.6                 |
| 3rd party grants: fluoridation schemes            | 3.0                | 1.9                 |
| <b>Total DH GIA capital funding</b>               | <b>100.4</b>       | <b>81.0</b>         |

- 7.2 PHE's capital programme consists of individual projects covering all aspects of its operations. In practice, most projects relate to facilities within the National Infections Services Directorate, ICT projects and to accommodation schemes overseen by the Estates & Facilities team. Spend on the general capital programme to the end of January 2018 was £19.5m compared with a budget of £24.6m; £5.1m less than budget (21%).
- 7.3 The allocation for the general programme includes funding for Porton Biopharma Ltd (PBL). The budget allocated to PBL has a direct impact on the available budget to PHE and is overseen by the PHE Capital Group. To date PBL has spent £9.3m against a budget of £10.0m; £0.7m less than budget (7%).
- 7.4 PHE has acquired the former GSK site at Harlow at a cost of £30.0m (including irrecoverable VAT). This cost was included in the Science Hub budget for the year.
- 7.5 The 2017/18 vaccines' budget allocation from DH is £24.9m, if this should change further the budget will be flexed and PHE will receive an allocation from DH that meets the actual expenditure.
- 7.6 A ring-fenced allocation has been provided for screening projects, agreed under the Section 7A programmes. The requirement for funding for this financial year is now £1.6m.
- 7.7 The 2017/18 Fluoridation forecast currently stands at £1.9m against an allocated budget of £3m, the forecasted underspend in effect increases the budget available for the general capital programme by £1.1m.
- 7.8 We continue to forecast the full utilisation of our £46.1m general capital programme, although given the number of projects that have a moderate risk profile for

completion, there is a risk that there may be a modest underspend against this budget.

7.9 This position will be monitored and reassessed on a monthly basis.

## **8. CONCLUSION**

8.1 The current financial performance provides continues evidence of grip over our financial position and the accuracy of our financial forecasts.

**Michael Brodie**

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March 2018