Public Health England

Protecting and improving the nation's health

Enclosure PHE/18/05

PHE Advisory Board

Title of meeting	PHE Advisory Board
Date	Wednesday 21 March 2018
Sponsor	Michael Brodie
Title of paper	**2018/19 PHE Budgets**

1. PURPOSE OF THE PAPER

1.1 This paper presents the Board with a summary of PHE's budgets for 2018/19.

2. RECOMMENDATIONS

2.1 The PHE Board is asked to:

(a) **NOTE** the PHE Budget for 2018/19 and the key facets which make it up;

(b) **NOTE** that all areas of PHE have reprioritised resources to key business plan deliverables and remit letter priorities as necessary;

3. 2017/18 REVENUE FUNDING

3.1 PHE's overall indicative Grant-in-aid (GIA) for 2018/19 is £4,039.6m, and is broken down as follows:

(a) Net Operating Budget: the budget allocation is £291.9m; being the amount set out in the comprehensive spending review (CSR) settlement; the split of the budget allocation between admin and programme funds is £48.7m and £243.2m, where administrative funding reduces 7% per annum and programme funds by £1.5m (0.6%) per annum. Formal ratification of this budget figure is expected within the next week, but we have worked closely with Department of Health and Social Care (DHSC) colleagues to agree these budget assumptions and no changes are expected;

(b) Screening programmes: the indicative revenue budget allocation is £53.4m; this is a net increase of £4.9m from 2018/19, being the net cost of new pilots;

(c) Vaccine and Countermeasures activities (VCR): the budget has been reset at £657.7m based on the latest forecast; PHE should neither gain nor suffer from a cost variance for vaccine activities;

(d) Local Authority Public Health Grant: the ring fenced grant allocations for 2018/19 is £3,011.1m, as published by DHSC in December. This total includes the agreed further reduction of 2.5% from the equivalent baseline figure for 2017/18 and excludes grant monies for the Local Authorities of Greater Manchester, being the pilot for Business Rates Retention;

(e) Depreciation: the non-cash funding allocation has been set at £25.5m.This represents an estimation of the Agency's full year charge based on current assets and the fixed asset additions planned for 2018/19 including accelerated depreciation in relation to Harlow.

3.2 Pending GIA funding; Outside of the core GIA settlement and after ministerial approval, we should expect to receive new GIA monies from DHSC that total £15.6m. The pending GIA monies thus included within the budget and include items such as National CEA award monies for the relevant medical consultants, ODA related income for Global Health projects and monies for specific strategies such as Childhood Obesity and Talent Management.

3.3 Transitional funding - DHSC understands that in order to meet the challenging CSR trajectory there may be one off transitional costs associated with ensuring the delivery of further recurrent savings. We expect further such costs in 2018/19 and understand from DHSC that transitional funding could again be made available to us, indicated at £2.5m, subject to a further business case.

4. SUMMARY OF THE NET OPERATING BUDGET POSITION FOR 2018/19

4.1 The headline budget position is that PHE needs to deliver further savings to our net operating budget against our core functions of £15.2m in 2018/19. This is made up of:

(a) Delivering cash releasing GIA savings as given by the CSR settlement - £5.0m; of which £3.5m has to be made from those functions categorised as Administrative and a further £1.5m reduction of Programme funds;

(b) New pressures for our emerging priorities, such as CVD prevention and the Air Pollution review - at £2.9m; being those new tasks included within our Business Plan and/or Remit Letter where we have had to reprioritise funding;

(c) Providing funding for unavoidable cost pressures, such as the incremental cost pressure on Science Hub revenue budgets - at £1.4m;

(d) Absorbing standstill cost pressures – to continue providing the services that we do now will cost us more in 2018/19 than it did in 2017/18 as there are a number of standstill pressures that we will have to absorb, as follows:

(i) Pay inflation of £2.7m, including incremental drift and pay awards;

(ii) Non-pay inflation of £3.2m, to reflect contractual price rises

4.2 We have plans to balance the above pressures, informed by our Medium Term Financial Plan, which are summarised as follows:

(a) We are able to increase our corporate income recovery by £5.9m; in respect of the Porton Biopharma yearly dividend receipt and by increasing the Dysport royalty expectation based on prudent extrapolation of current year receipts;

(b) Our Taxpayer Value Strategy launched last year to provide a focus on spending well and spending wisely, delivering economy, efficiency and effectiveness in all that we do, is the basis on which we will deliver the remainder of the savings requirement. As a result of this strategy, we are able to include savings within our 2018/19 budgets of £3.3m; examples include reduced commissioned service costs predicated on evidence based reviews, estates rationalisation, telephony savings and reductions of payroll budgets based on a greater insight into underlying vacancy rates and future recruitment pipelines;

(c) Prudent planning allows us to release non-recurrent funds provided in previous years for specific programmes that will end in 2017/18 – these activities total £1.8m;

(d) We have assumed inflation, where possible, will be charged to our customers in respect of our income generating activities. This will bring in a contribution of £0.7m and help to mitigate our related cost base increases;

(e) We will look to absorb the costs of non-pay inflation in full (£3.2m), by a continued focus on smart procurement and robust contract management.

5. CORE FUNDING ALLOCATIONS BY DIRECTORATE

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

Budget 2018/19	**Income**	**Expenditure**	**GIA**	**WTE**
Health Improvement	6,321.1	80,764.9	74,443.8	1,001
Nursing	175.0	1,566.1	1,391.1	17
Health Marketing	4,934.4	46,636.4	41,702.0	98
Health Protection	24,603.3	50,379.3	25,776.0	546
Subtotal: National directorates	**36,033.8**	**179,346.7**	**143,312.9**	**1,662**
Deputy CEO	61.2	1,397.7	1,336.5	11
National Infections Service	112,239.6	192,275.8	80,036.2	2,082
Centres & Regions	768.8	68,655.3	67,886.5	1,031
Science Hub		4,900.0	4,900.0	1
Subtotal: Operational directorates	**113,069.6**	**267,228.8**	**154,159.2**	**3,125**
Communications	570.0	5,270.0	4,700.0	82
Corporate Affairs		5,249.0	5,249.0	66
Corporate Balances and Royalties	51,063.2	-11,578.9	-62,642.1	
Finance & Commercial	314.2	36,794.2	36,480.0	326
People	721.0	7,055.0	6,334.0	98
Strategy		4,348.0	4,348.0	48
Subtotal: Corporate functions	**52,668.4**	**47,137.3**	**-5,531.1**	**620**
Core Functions	**201,771.8**	**493,712.8**	**291,941.0**	**5,407**
Screening Programme	**750.0**	**54,150.0**	**53,400.0**	**98**
Vaccine & Countermeasures	**73,725.0**	**731,425.0**	**657,700.0**	
Local Authority Public Health Grant		**3,011,064.0**	**3,011,064.0**	
Depreciation		**25,535.2**	**25,535.2**	
PHE Total	**276,246.8**	**4,315,887.0**	**4,039,640.2**	**5,505**

6. CONCLUSION

6.1 Whilst challenging, the overall GIA settlement is consistent with what is being asked of other arm's length bodies of the Department of Health and indeed the Department itself.

6.2 We have now formulated a balanced and achievable budget for 2018/19, where all directorates have been allocated funding that ensures PHE lives within the set financial envelope whilst still allowing for the delivery of business plans and other key or emerging priorities; these plans exclude any activities that do not have guaranteed funding and do not assume that any speculative savings can be used to meet new activities.

6.3 Establishments and pay budgets are complete; being inclusive of all planned recruitment in the financial year, both permanent and temporary and only includes evidence based vacancy factors where they are justified, to a maximum of 5%.

6.4 Non-pay budgets are profiled based on historical trends and known needs, such as existing contracts and new commitments. Inflationary pressures have been understood and will be actively managed as necessary.

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