



PHE Advisory Board

Title of meeting PHE Advisory Board
Date Wednesday 24 October 2018
Sponsor Michael Brodie
Title of paper **2018/19 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 2018.

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 (half year).

3. FINANCIAL POSITION

- 3.1 The high level summary financial position for PHE for the six months to September 2018 is shown in the table below. Please note that PHE has achieved a year to date surplus of £6.4m. This equates to a 4% positive variance against our core operating budget of £169.9m.

2018/19 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Budget	Forecast	Variance
External Income:	76.3	77.2	0.9	184.4	183.5	-0.9
Core Expenditure:						
Pay	157.5	150.3	7.2	317.4	307.9	9.5
Non-pay	88.7	90.3	-1.6	213.8	222.3	-8.5
Subtotal - PHE Core Functions	169.9	163.4	6.5	346.8	346.7	0.1
Depreciation	18.3	18.4	-0.1	34.3	34.4	-0.1

Local Authority Public Health Grant	1,505.5	1,505.5	0.0	3,011.1	3,011.1	0.0
Vaccines and Countermeasures	174.7	174.7	0.0	634.3	634.3	0.0
Grand Total – PHE	1,868.4	1,862.0	6.4	4,026.5	4,026.5	0.0

3.2 Currently the Grant-in-aid (GIA) funding for PHE in 2017/18 stands at £4,026.5m. This funding is inclusive of:

- (a) £346.8m in respect of our baseline core GIA agreed with DH:
 - (i) £291.9m as the third year of the Spending Review settlement,
 - (ii) National Screening Programme funding at £42.8m;
 - (iii) New GIA receipts in 2018/19 received in respect of National CEA award monies at £3.0m and the pump priming of nationally focused organisational development activities at £9.0m such as Childhood Obesity monies, Substance Dependency Trial monies, and Overseas Development Assistance (ODA) monies based on the actual spend;
- (b) Immunisation and Counter-Measures (vaccines) funds, the budget for which is determined by the net expenditure incurred, is forecast at £634.3m;
- (c) Ring-fenced Local Authority Public Health Grant funding at £3,011.1m;
- (d) Non-cash funding for anticipated depreciation charges in respect of our asset base at £34.3m;

3.3 We expect to receive external income receipts of £184.4m, which is inclusive of Dysport royalties, the Porton Biopharma Ltd (PBL) dividend and an income generation portfolio including clinical diagnostic testing, vaccine evaluation, research grants from various awarding bodies and consultancy income.

3.4 This income augments our core GIA funding and reduces our call on direct taxpayer funding, meaning that the total expenditure budget for our core functions is £531.2m.

3.5 The year to date underspend for the organisation has arisen due to the following factors:

- (a) Income generation budgets over-recovering in the amount of £0.9m; this is mainly related to adjustments for pending GIA monies that are due from DHSC but have yet to be agreed, or are subject to ministerial sign off;
- (b) Payroll costs underspending, in the amount of £7.3m and 5%. This variance is in line with our plans to manage on-going and future financial targets;
- (c) Overspending within our Premises costs of £2.2m, which includes a £0.8m adverse variance being shown against rates costs incurred at the Harlow site against a plan that assumed mitigation of such costs by decanting.

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 2018 by Directorate Groupings (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
Operational Directorates (Regions & Centres, National Infection Services, Science Hub, Deputy CEO)	82.8	79.6	3.2	163.9	160.2	3.7
Other National Directorates (Health Improvement, Health Protection including Global Health, Nursing, Marketing)	81.5	78.5	3.0	193.2	193.8	-0.6
Corporate Directorates (Communications, Corporate Affairs, Finance & Commercial, People, Strategy and including PBL and royalty income)	5.6	5.3	0.3	-10.3	-7.3	-3.0
Subtotal - Net Operating Expenditure	169.9	163.4	6.5	346.8	346.7	0.1
Depreciation	18.3	18.4	-0.1	34.3	34.4	-0.1
Local Authority Public Health Grant	1,505.5	1,505.5	0.0	3,011.1	3,011.1	0.0
Vaccines and Countermeasures	174.7	174.7	0.0	634.3	634.3	0.0
Total – PHE	1,868.4	1,862.0	6.4	4,026.5	4,026.5	0.0

4.2 Year-end forecasts indicate a breakeven position:

4.3 Forecasts have been formulated for each directorate, including anticipated pay underspends and the costs incurred against major incidents such as Breast Screening, Salisbury and Amesbury and the Porton Steam Leak - where we anticipate total cost exposure against major incidents to be £2.4m.

4.4 We anticipate continued unplanned rates costs at the Harlow site until January 2019, leading to a projected overspend of £1.8m.

4.5 We also expect further spend on emerging priorities, such as CVD, Metro Mayors and a digital based Incentivisation scheme.

4.6 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.

5. CAPITAL EXPENDITURE

5.1 The total capital funding for the 2018/19 year is shown in the table below:

Capital Funding & Programme - 2018/19 (£'000s)	Original Budget	Current Budget
General capital projects	36.0	35.5
Porton Biopharma	9.0	10.7
Science Hub	39.7	39.7
Emergency vaccine stocks	110.8	68.5
Screening (Section 7a)	5.3	5.3
3rd party grants: fluoridation schemes	3.0	1.8
Drugs and Alcohol grants	4.5	0.0
Total DH GIA capital funding	208.3	161.5

5.2 The allocation for the general programme includes funding for Porton Biopharma Ltd (PBL). The full year budget for PBL is £10.7m. The budget allocated to PBL has a direct impact on the available budget to PHE and is overseen by the PHE Capital Group.

5.1 Spend on the general capital programme (including PBL) to the end of September 2018 was £11.3m compared with a budget of £14.9m; £3.7m less than budget (25%).

5.2 The 2018/19 vaccines' budget allocation from DHSC is £68.5m, if this should change further the budget will be flexed and PHE will receive an allocation from DHSC that meets the actual expenditure.

5.3 PHE has a separate allocation in relation to the screening capital projects of £5.3m under section 7a, this budget will be monitored against project performance through the year.

5.4 The 2018/19 Fluoridation forecast currently stands at £1.7m against an allocated budget of £3.0m; the reduction in the fluoridation forecast directly increases the budget available to our general capital programme.

5.5 It was anticipated that PHE would deliver a Drugs and Alcohol grants scheme for £4.5m this financial year. We now have budgetary approval for the scheme but it has been agreed the funding will be drawn in 2019/20, given the length of time to run the bid process.

5.6 We are confident that the capital programme can be delivered in the year, using an over-programming allowance to balance the budget. This position will be monitored and reassessed on a monthly basis.

6. CONCLUSION

- 6.1 Financial plans are being monitored tightly in order to maintain overall balance across the organisation, with corrective action being taken as appropriate.
- 6.2 PHE has also ensured that robust plans are in place to support the delivery of realistic contributions from our income generating activities.
- 6.3 Staffing costs and establishment levels are well controlled. Recruitment pipelines are understood and we have been careful to remain cognisant of future savings requirements.
- 6.4 Non-pay costs are monitored closely, especially in respect of the delivery of a procurement pipelines. Cost pressures are noted and mitigating action is sought immediately.
- 6.5 The year-to-date financial performance provides an additional indication that our plans to deliver against our balanced budget are robust and therefore, we forecast a break-even position for the year.
- 6.1 The Capital Group oversees the capital programme to ensure that we either delay lower priority projects to avoid overspending against budget, or bring projects forward to negate any risk of under spending.

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October 2018