



# PHE Advisory Board

<b>Title of meeting</b>	PHE Advisory Board
<b>Date</b>	Wednesday 24 April 2019
<b>Sponsor</b>	Michael Brodie
<b>Title of paper</b>	<b>2019/20 PHE Budgets</b>

## 1. PURPOSE OF THE PAPER

- 1.1 This paper presents the Advisory Board with a summary of PHE's budgets for 2019/20.

## 2. RECOMMENDATIONS

- 2.1 The PHE Advisory Board is asked to:

- (a) **NOTE** the PHE Budget for 2019/20 and the key facets which make it up;
- (b) **NOTE** that we have reprioritised resources to key business plan deliverables and remit letter priorities;

## 3. 2019/20 REVENUE FUNDING

- 3.1 PHE's overall indicative Grant-in-aid (GIA) for 2019/20 is £3,827.3m, and is broken down as follows:

- (a) Core functions: the budget allocation is £287.1m; being the indicative planning assumption advised by Department of Health and Social Care (DHSC) and based on the given year of the 2015 comprehensive spending review (SR15) settlement; the split of the budget allocation between admin and programme funds is £45.5m and £241.6m;
- (b) Screening programmes: the indicative revenue budget allocation is £46.9m; this is a net increase of £4.1m from 2018/19, being the net cost of new pilots such as Cervical Screening;
- (c) Vaccine and Countermeasures activities (VCR): the budget has been reset at £527.4m 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 2019/20 is £2,931.6m, which includes the agreed further reduction of 2.6% from the equivalent baseline figure for 2018/19; the total excludes grant monies for the ten Local Authorities of Greater Manchester as a devolved administration;

- (e) Depreciation: the non-cash funding allocation has been set at £34.3m. This represents an estimation of the Agency's full year charge based on current fixed assets and the fixed asset additions planned for 2019/20 including continued accelerated depreciation in relation to Harlow.

3.2 As in previous years, we expect to receive further funding allocations for specific activities during the financial year and separate to the core GIA allocation. Such pending additional GIA funding includes:

- (a) We have specific DHSC approval for a further £8.8m of GIA funding, namely pension uplift monies of £8.0m from HMT for an element of the increase in employer contribution, agenda for change funding for the first year of the three-year deal at £0.6m and a further £0.2m to mitigate EU-exit pressures in relation to a new nutrition committee;
- (b) Outside of the core GIA settlement and after ministerial approval, we should expect to receive further GIA monies from DHSC that total £25.5m. The pending GIA monies are thus included within the budget and relate to items such as:
  - (i) National CEA award monies for the relevant medical consultants;
  - (ii) Overseas Development Assistance related income for Global Health projects;
  - (iii) several Grants that will be administered by PHE;
  - (iv) monies for specific strategies such as Childhood Obesity and Talent Management.

#### **4. SUMMARY OF THE NET OPERATING BUDGET POSITION FOR 2019/20**

4.1 The headline is that PHE needs to deliver further savings against our Core Functions of £31.8m in 2019/20. This is made up of:

- (a) Delivering cash releasing GIA savings of £4.9m - as set out in the 2015 Spending Review settlement; of which £3.2m (7%) must be made from those functions categorised as Administrative and a further £1.7m (0.7%) reduction of Programme funds;
- (b) New pressures for our emerging priorities, such as Predictive Prevention, Environmental Public Health and the current AMR National Action Plan - at £2.0m;
- (c) Providing funding for unavoidable cost pressures, such as the incremental cost pressure on Science Hub revenue budgets including increased business change activities - at £2.6m;
- (d) Allowing for the non-recurrent delay in benefits realisation from capital investments in Porton Biopharma Ltd (PBL) in respect of the 3000-litre fermenter, for which we had expected additional income streams of £8.0m per annum – where installation has been delayed to late 2019/20;
- (e) Absorbing standstill cost pressures – to continue providing the services that we do now will cost us more in 2019/20 than it did in 2018/19 as there are several unavoidable increases that we will have to absorb, as follows:

- (i) Employer pension rate increases not funded by HMT at £6.5m;
- (ii) Pay inflation of £4.0m, based on the 1.5% pay uplift cap including incremental drift and other pay awards such as the specifics for the agenda for charge pay award for clinical ring-fence staff;
- (iii) Non-pay inflation of £4.4m on our third party contracts

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

- (a) We will increase our corporate income recovery by £0.9m; being prudent extrapolation of royalty increases for existing products that have been seen in the past financial year and that can thus give us additional budget in 2019/20;
- (b) 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;
- (c) We have incorporated delivered Taxpayer Value strategy savings in our budget, being our corporate focus on spending well and spending wisely, delivering economy, efficiency and effectiveness in all that we do. We also asked Directorates to submit outline plans to save 5% from their cost base. Through this exercise and augmenting Directorate plans with Taxpayer Value initiatives, we are able to include savings within our 2019/20 budgets of around £30m; examples include:
  - (i) reduced commissioned service costs predicated by challenging outputs/priorities;
  - (ii) contracts reductions and service cessations;
  - (iii) reductions of payroll budgets based on post deletions and adjustments to underlying vacancy rates given by future recruitment pipelines;
  - (iv) reductions to Health Marketing campaign spend.

## 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 as follows:

Budget 2018/19 £'ms	Income	Expenditure	GIA	WTE
Health Improvement	14.9	87.5	72.6	964
Nursing		1.7	1.7	18
Health Marketing	9.7	41.6	31.9	79
Health Protection	26.1	54.4	28.4	566
<b>Subtotal: National directorates</b>	<b>50.7</b>	<b>185.2</b>	<b>134.6</b>	<b>1,627</b>
Deputy CEO		1.3	1.3	12
National Infections Service	97.4	184.3	86.9	2,093
Centres & Regions	0.5	71.9	71.4	1,015
Science Hub		7.6	7.6	23
<b>Subtotal: Operational directorates</b>	<b>97.9</b>	<b>265.1</b>	<b>167.2</b>	<b>3,143</b>
Communications	0.6	5.3	4.7	83
Corporate Affairs	10.1	14.3	4.2	71
Corporate Balances and Royalties	58.9	-12.8	-71.7	
Finance & Commercial	0.3	36.7	36.4	318
People	0.5	8.0	7.5	98
Strategy		4.2	4.2	53
<b>Subtotal: Corporate functions</b>	<b>70.4</b>	<b>55.7</b>	<b>-14.7</b>	<b>623</b>
Eliminate internal trading	-17.1	-17.1		
<b>Core Functions</b>	<b>201.9</b>	<b>489.0</b>	<b>287.1</b>	<b>5,393</b>
<b>Screening Programme</b>		<b>46.9</b>	<b>46.9</b>	<b>109</b>
<b>Vaccine &amp; Countermeasures</b>	<b>81.2</b>	<b>608.6</b>	<b>527.4</b>	
<b>Local Authority Public Health Grant</b>		<b>2,931.6</b>	<b>2,931.6</b>	
<b>Depreciation</b>		<b>34.3</b>	<b>34.3</b>	
<b>PHE Total</b>	<b>283.1</b>	<b>4,110.4</b>	<b>3,827.3</b>	<b>5,502</b>

## 6. 2019/20 CAPITAL FUNDING

6.1 Final confirmation of PHE's capital allocation for 2019/20 has not yet been forthcoming. However, DHSC have noted an indicative capital programme requirement of £120.7m and agreed that we should plan on that basis. This is broken down as follows:

- (a) Baseline monies in line with previous years - £45.0m; this covers a range of projects for laboratory facilities and equipment (for both PHE and PBL), IT infrastructure, estates rationalisation and a range of Digital initiatives for healthcare programmes;
- (b) Screening Programme - £6.2m;
- (c) Drug and alcohol grants - £4.5m;
- (d) Fluoridation grants – £3.0m;
- (e) Science Hub Programme - £62.0m.

## **7. CONCLUSION**

- 7.1 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.
- 7.2 The in-year savings requirement of £31.8m inclusive of unprecedented increases in employer pension costs and builds on the £160.6m recurrent savings that PHE has delivered since its inception in order to stand still.
- 7.3 We have formulated a balanced and achievable budget for 2019/20, 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.

**Michael Brodie**

*Finance and Commercial Director*

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