



PHE Advisory Board

Title of meeting PHE Advisory Board
Date Wednesday 24 April 2019
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 February 2019.

2. RECOMMENDATIONS

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

3. FINANCIAL POSITION

- 3.1 The high level summary financial position for PHE for the eleven months to February 2019 is shown in the table below.

2018/19 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Year Budget	Forecast	Variance
External Income:	160.4	157.5	-2.9	179.4	175.8	-3.6
Core Expenditure:						
Pay	289.9	278.4	11.5	316.8	303.4	13.4
Non-pay	187.2	196.1	-8.9	213.4	222.5	-9.1
Subtotal - PHE Core Functions	316.7	317.0	-0.3	350.8	350.1	0.7
Depreciation	35.4	35.6	-0.2	35.7	35.9	-0.2
Local Authority Public Health Grant	3,011.1	3,011.1	0.0	3,011.1	3,011.1	0.0
Vaccines and Countermeasures	371.9	371.9	0.0	635.7	635.7	0.0
Grand Total – PHE	3,735.1	3,735.6	-0.5	4,033.3	4,032.8	0.5

- (a) Our year to date position shows a small deficit of £0.5m. The deficit equates to a 0.1% adverse variance against our core operating budget.

(b) PHE is forecast to return a small surplus of £0.5m by year end.

3.2 Currently the Grant-in-aid (GIA) funding for PHE in 2018/19 stands at £4,033.3m. This funding is inclusive of:

(a) £350.8m 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 at £16.1m; including:

- National Clinical Excellence Award monies for medical consultants at £3.0m;
- pump priming of nationally focused priority activities at £13.1m such as Childhood Obesity monies, Substance Dependency Trial monies, Imformax in-house transfer 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 £635.7m; PHE should neither gain nor incur a loss on such activities;

(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 £35.7m;

3.3 We expect to receive external income receipts of £179.4m:

(a) 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;

(b) 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 £530.2m.

3.4 The year to date overspend has arisen due to the following primary factors:

(a) Prudent accruing of the PBL dividend payment compared to the original budgetary expectation (latest projections are a £9.9m shortfall against the budget of £19.8m); PBL is wholly owned by PHE on behalf of the Secretary of State;

(b) Payroll costs underspending to date, in the amount of £11.5m and 4.0%. This position is expected given historical trends, our anticipated recruitment pipeline, restructuring (and any resultant staff exit costs where irrevocable notification will be given before the year end) and our plans to manage on-going and future financial targets;

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 December 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 Service, Science Hub, Deputy CEO)	150.4	145.8	4.6	164.4	158.8	5.6
Other National Directorates (Health Improvement, Health Protection including Global Health, Nursing, Health Marketing)	173.9	168.2	5.7	195.4	191.5	4.9
Corporate Directorates (Communications, Corporate Affairs, Finance & Commercial, People, Strategy and including PBL and royalty income)	-7.6	3.0	-10.6	-10.0	-0.2	-9.8
Subtotal - Net Operating Expenditure	316.7	317.0	-0.3	350.8	350.1	0.7
Depreciation	35.4	35.6	-0.2	35.7	35.9	-0.2
Local Authority Public Health Grant	3,011.1	3,011.1	0.0	3,011.1	3,011.1	0.0
Vaccines and Countermeasures	371.9	371.9	0.0	635.7	635.7	0.0
Total – PHE	3,735.1	3,735.6	-0.5	4,034.6	4,034.6	0.5

4.2 PHE is forecast to return a small surplus of £0.5m by year end. This is underpinned by:

- (a) Income streams under-recovering by £3.6m in total, mainly in respect to the revised PBL dividend expectation but offset by gains including NHS England marketing campaign income;
- (b) Pay underspends totaling £13.4m and 4%; that reflect continued vacancy related underspends because of our recruitment plans being partly offset by anticipated staff exit costs of £0.8m by year-end;
- (c) Several specific incidents and priority works, inclusive of
 - (i) the major incident (Breast Screening) – where the full year forecast spend is £1.9m including the independent review;
 - (ii) Site issues at Porton – additional revenue costs have been incurred at £1.2m year to date primarily related to reactive maintenance costs;
 - (iii) Emerging priorities – such as the Incentivisation Digital Exemplar project where the projected full year spend is 2018/19 is £0.5m.

4.3 The Management Committee of PHE receives and reviews a detailed report on the organisation's financial position monthly and provides high level scrutiny of the financial

position and underlying assumptions. Financial plans are being monitored tightly to deliver 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 Forecast
General capital projects	36.0	28.6
Porton Biopharma	9.0	10.0
Science Hub	39.7	34.1
Emergency vaccine stocks	110.8	67.9
Screening (Section 7a)	5.3	2.6
3rd party grants: fluoridation schemes	3.0	1.4
Drugs and Alcohol grants	4.5	-
Total DH GIA capital funding	208.3	144.6

- 5.2 We have officially reduced our current year budget allocation for the general programme and fluoridation. Our full year budget prior to the review stood at £48m. In collaboration with DHSC we have reduced this to £40m, with £38.6m allocated to our general programme and £1.4m allocated to Fluoridation schemes.
- 5.3 The allocation for the general programme includes funding for PBL. The full year budget for PBL is £10.0m, of which PBL has spent £7.5m to date. 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 (excluding PBL) to the end of February 2019 was £17.0m compared with a phased budget of £21.7m and a full year budget of £28.6m; the current variance is thus £4.7m less than budget (22%) but will estimate full utilisation by year end.
- 5.2 The Science Hub programme is anticipated to incur £34.1m expenditure in 2018/19. This is now expected to be lower than budget (for the year) as the enabling works have not yet started. The 2018/19 “slippage” impact will be reconsidered when the 2019/20 budget for Science Hub is agreed with DHSC.
- 5.3 The 2018/19 vaccines’ budget allocation from DH is £67.9m, if this should change further the budget will be flexed and PHE will receive an allocation from DHSC that meets the actual expenditure.
- 5.4 PHE has a separate allocation in relation to the screening capital projects, in the ALB spend return we have reduced our budget to £2.6m for this element.

- 5.5 The 2018/19 Fluoridation forecast currently stands at £1.4m against an allocated budget of £3.0m; the reduction in the fluoridation forecast directly increases the budget available to our general capital programme.
- 5.6 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.

6. CONCLUSION

- 6.1 The current financial performance with just one month remaining provides a strong indication that our plans to deliver financial balance are robust.
- 6.2 Income streams are understood; seasonality has been adjusted for and we understand likely under/over-performance on demand-led clinical contracts.
- 6.3 Staff costs are in line with expectations of our recruitment pipelines, restructure plans and directorates being cognisant of on-going or future savings targets; the forecast payroll spend is also in line with the trend seen in previous years at 4% underspent.
- 6.4 Non-pay costs are being monitored and are within tolerance or fully understood. We are confident that any late unforeseen pressures will be covered by our risk of some slippage within our commissioned spend plans.
- 6.5 Finance managers are continuing to work with budget holders and other senior staff in each directorate to refine current budgets and forecast likely year end positions. In addition, financial plans are being monitored tightly to maintain overall balance across the organisation, with corrective action being taken as appropriate. In doing this, we will ensure that the agency maximises its resources whilst delivering the planned break-even financial position.
- 6.6 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. Thus, we are confident that the capital programme will be delivered in the year.

Michael Brodie

Finance and Commercial Director

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