

PHE Advisory Board

Title of meeting PHE Advisory Board
Date Wednesday 18 September 2019
Sponsor Donald Shepherd
Title of paper 2019/20 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 July 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 four.

3. FINANCIAL POSITION

- 3.1 The summary financial position for PHE for the year to date is shown in the table below.
- 3.2 The year to date surplus of £3.2m (which equates to a 2.8% favourable variance against our core operating budget of £114.1m for the period). The underlying financial position for PHE is that we expect to achieve a breakeven position for the year.

2019/20 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Year Budget	Forecast	Variance
External Income:	49.8	48.7	-1.1	186.7	181.2	-5.5
Core Expenditure:						
Pay	107.7	102.3	5.4	325.4	313.5	11.9
Non-pay	56.2	57.3	-1.1	208.3	214.6	-6.3
Subtotal - PHE Core Functions	114.1	110.9	3.2	347.0	346.9	0.1
Depreciation	12.5	12.5	-	37.3	37.4	-0.1
Local Authority Public Health Grant	732.9	732.9	-	2,931.6	2,931.6	-
Vaccines and Countermeasures	107.1	107.1	-	509.4	509.4	-
Grand Total - PHE	966.6	963.4	3.2	3,825.3	3,825.3	-

- 3.3 Currently the Grant-in-aid (GIA) funding for PHE in 2019/20 stands at £3,825.3m. This indicative funding is inclusive of:
- (a) Baseline GIA for PHE at £347.0m, which includes National Screening Programme monies of £46.9m;
 - (b) Vaccines and Countermeasures (VCR) monies based on the latest forecast at £509.4m; VCR monies are rebated at actual cost, as PHE should neither gain nor lose from undertaking these activities;
 - (c) Ring-fenced Local Authority Public Health Grant funding at £2,931.6m; Local Authority Public Health Grant monies excludes devolution monies for Manchester;
 - (d) Non-cash funding for anticipated depreciation charges in respect of our asset base at £37.3m;
- 3.4 We expect to receive external income receipts of £186.7m, 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 advisory income.
- 3.5 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 £533.7m.
- 3.6 The year to date underspend for the organisation has arisen due to the following factors:
- (a) Payroll costs underspending, in the amount of £5.4m and 5%. This variance is in line with our plans to manage on-going and future financial targets;
 - (b) Overspending against our Premises costs at £2.4m, including an adverse variance being shown against rates and utility costs incurred at the Harlow site against a plan that assumed mitigation of such costs by decanting due to enabling works.

4. FINANCIAL POSITION BY DIRECTORATE

4.1 PHE's net position by Directorate groupings (Core Functions) is shown as follows:

Financial position - end of July 2019 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)	55.2	51.9	3.3	167.1	167.1	-
National Directorates (Health Improvement, Health Protection including Global Health, Nursing, Health Marketing)	55.2	53.9	1.3	188.2	187.0	1.2
Corporate Directorates (Communications, Corporate Affairs, Finance & Commercial, People, Strategy and including PBL and royalty income)	3.7	5.1	-1.4	-8.3	-7.2	-1.1
Subtotal - Net Operating Expenditure	114.1	110.9	3.2	347.0	346.9	0.1
Depreciation	12.5	12.5	-	37.3	37.4	-0.1
Local Authority Public Health Grant	732.9	732.9	-	2,931.6	2,931.6	-
Vaccines and Countermeasures	107.1	107.1	-	509.4	509.4	-
Total – PHE	966.6	963.4	3.2	3,825.3	3,825.3	-

4.2 Year-end forecasts indicate a breakeven position:

4.3 Forecasts have been formulated for each directorate, which include anticipated pay underspends based on known recruitment pipelines and ongoing restructure plans that will be used to deliver current and future savings requirements.

4.4 In year gains from pay underspends will be further used to mitigate other pressures such as anticipated reductions in the PBL dividend receipt for this year (we expect the dividend receipt will be £6.0m against a baseline budget expectation of £11.8m), and the costs incurred against major incidents such as the Porton Steam Leak - where we anticipate total cost exposure to be £2m.

4.5 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 - 2019/20 (£'000s)	Original Budget	Current Budget
General capital projects	35.2	36
Porton Biopharma	9.8	9.7
Science Hub	62	40.4
Emergency vaccine stocks	118.6	119
Screening (Section 7a)	6.2	6.2
3rd party grants: fluoridation schemes	3	2.3
Drugs and Alcohol grants	4.5	4.5
Total DH GIA capital funding	239.3	218.1

- 5.2 We are currently fully utilising our £45.7m Regulatory, Efficiency, Modernisation and Infrastructure (REMI) capital programme, including funding for Porton Biopharma. The budget allocated to Porton Biopharma has a direct impact on the available budget to PHE and is overseen by the PHE Capital Group.
- 5.1 Spend on the general REMI capital programme to the end of July 2019 was £9.4m compared with a budget of £9.6m; £0.2m less than budget (2%). PHE project spend was £7.3m compared against a budget of £6.9m. Porton Biopharma has spent £2.1m against a year to date budget of £2.7m.
- 5.2 The Science Hub capital spend forecast is still being revised due to delays to enabling works. The original full year budget of £62.0m for 2019/20 will not now be required. The current forecast of the full year budget requirement for capital is £40.4m.
- 5.3 The 2019/20 vaccines' budget allocation from DHSC is £119.0m, 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 of £6.2m under section 7a, this budget will be monitored against project performance through the year.
- 5.5 The 2019/20 Fluoridation forecast currently stands at £2.3m against an allocated budget of £3.0m; the reduction in the fluoridation forecast directly increases the budget available to our general REMI capital programme.
- 5.6 The successful bids for the £4.5m Capital Drugs and Alcohol Recovery Grant scheme have now been confirmed. The 23 successful grant applicants will be receiving payment in the coming months.

- 5.7 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 have been drawn up that allow us to both meet our financial objectives and deliver our business plan priorities.
- 6.2 These financial plans are being monitored tightly in order to maintain overall balance across the organisation, with corrective action being taken as appropriate:
- (a) Robust plans are in place to support the delivery of realistic contributions from our income generating activities; We have factored into our forecast at the earliest stage the anticipated reduction in the Porton Biopharma dividend;
 - (b) Staffing costs and establishment levels are well controlled and in line with historical trends. Recruitment pipelines are well understood, and we have been careful to remain cognisant of future savings requirements;
 - (c) Non-pay costs are monitored closely, especially in respect of the delivery of a procurement pipelines. Cost pressures have been noted and mitigating action is sought immediately.
- 6.3 The year-to-date financial performance provides strong 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.

Donald Shepherd

Finance and Commercial Director

September 2019