



# PHE Advisory Board

**Title of meeting** PHE Advisory Board  
**Date** Wednesday 22 July 2020  
**Sponsor** Donald Shepherd  
**Presenter** Alan Stapley  
**Title of paper** 2020/21 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 May 2020.

## 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 two.

## 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 out-turn is a deficit of £4.4m, which equates to a 4.7% adverse variance against our core operating budget of £94.1m for the period. Despite the difficult start we expect to achieve a breakeven position for the year.

2020/21 (£'ms)	YEAR-TO-DATE			FULL YEAR		
	Current Budget	Actual	Variance	Full Year Budget	Forecast	Variance
External Income:	25.7	11.4	-14.3	193.3	193.3	-
Core Expenditure:						
Pay	59.6	57.6	2.0	331.3	331.3	-
Non-pay	60.2	52.3	7.9	242.3	242.3	-
<b>Subtotal - PHE Core Functions</b>	<b>94.1</b>	<b>98.5</b>	<b>-4.4</b>	<b>380.3</b>	<b>380.3</b>	-
Depreciation	4.3	4.3	-	40.0	40.0	-
Local Authority Public Health Grant	766.4	766.4	-	3,065.7	3,065.7	-
Vaccines and Countermeasures	80.8	80.8	-	549.3	549.3	-
<b>Grand Total - PHE</b>	<b>945.6</b>	<b>950.0</b>	<b>-4.4</b>	<b>4,035.3</b>	<b>4,035.3</b>	-

- 3.3 Currently the Grant-in-aid (GIA) funding for PHE in 2020/21 stands at £4,035.3m. This indicative funding is inclusive of:
- (a) Baseline GIA for PHE at £380.3m, which includes National Screening Programme monies of £50.6m and £42.4m for costs of the Covid response for the two months to May. We have agreed with DHSC that funds for the Covid response will be released as incurred rather than on a forecast basis;
  - (b) Vaccines and Countermeasures (VCR) monies based on the original budget at £549.3m. 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 £3,065.7m; 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 £40.0m;
- 3.4 We budgeted to receive external income receipts of £193.3m, which is inclusive of Dysport and other royalties 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 £573.6m (including the year to date costs for Covid-19).
- 3.6 The year to date overspend for the organisation has arisen due, primarily, to the following factors:
- (a) Lower external income due to reduced demand for testing from NHS Trusts, reflecting the focus on the country's Covid-19 response and lower royalties from worldwide sales of Dysport;
  - (b) Payroll costs underspending, in the amount of £2.0m (3.4%). This variance is in line with our plans to manage on-going and future financial targets;
  - (c) Other expenditure is below budget, partly reflecting the reduced activity relating to external income. Not surprisingly in the current circumstances, we are seeing significantly reduced costs in respect of travel and training.

#### 4. FINANCIAL POSITION BY DIRECTORATE

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

Financial position - end of May 2020 by Directorate Groupings (£'ms)	Year to date			Full Year		
	Current budget	Actual	Variance	Full Year Budget	Full Year Forecast	Variance
<b>Operational Directorates</b> (Centres & Regions, National Infection Service, Science Hub, Deputy CEO)	26.7	30.2	-3.5	160.2	160.2	-
<b>National Directorates</b> (Health Improvement, Health Protection including Global Health, Nursing, Health Marketing)	63.9	63.6	0.3	227.7	227.7	-
<b>Corporate Directorates</b> (Communications, Corporate Affairs, Finance & Commercial, People, Strategy and including PBL and royalty income)	3.5	4.7	-1.2	-7.6	-7.6	-
<b>Subtotal - Net Operating Expenditure</b>	<b>94.1</b>	<b>98.5</b>	<b>-4.4</b>	<b>380.3</b>	<b>380.3</b>	<b>-</b>
Depreciation	4.3	4.3	-	40.0	40.0	-
Local Authority Public Health Grant	766.4	766.4	-	3,065.7	3,065.7	-
Vaccines and Countermeasures	80.8	80.8	-	549.3	549.3	-
<b>Total – PHE</b>	<b>945.6</b>	<b>950.0</b>	<b>-4.4</b>	<b>4,035.3</b>	<b>4,035.3</b>	<b>-</b>

- 4.2 Year-end forecasts indicate a breakeven position although there is greater uncertainty regarding the projected forecast position than under usual circumstances. Finance managers are working with budget holders and other senior managers in each directorate to understand and model the likely impacts of the Covid-19 pandemic.
- 4.3 Gains from underspends will be used to mitigate other pressures such as reduced income. At this early stage in the year we anticipate these will net out across the organisation and over the year.
- 4.4 The Management Committee of PHE receives and reviews a detailed report each month on the organisation's finances and provides high level scrutiny of the financial position and underlying assumptions. Financial plans are monitored tightly to maintain overall balance across the organisation.

## 5. CAPITAL EXPENDITURE

5.1 The total capital funding for the 2020/21 year is shown in the table below:

Capital Funding & Programme - 2020/21 (£'000s)	Original Budget	Current Budget
REMI (general) capital projects - PHE	33.0	36.9
REMI (general) capital projects - PBL	12.0	10.3
3rd party grants: fluoridation schemes	3.0	0.8
Sub-total	48.0	48.0
Science Hub	61.0	74.0
Emergency vaccine and counter-measures stocks	175.8	175.8
<b>Total DH GIA capital funding</b>	<b>284.8</b>	<b>297.8</b>

- 5.2 We expect to fully utilise our Regulatory, Efficiency, Modernisation and Infrastructure (REMI) capital programme, including funding for Porton Biopharma Ltd (PBL). The budget allocated to PBL has a direct impact on the available budget to PHE and is overseen by the PHE Capital Group.
- 5.3 We have approved specific capital expenditure for equipment and laboratories needed for PHE's Covid-19 response. We expect the full year's expenditure to be in the region of £10m. None of this was budgeted and we are assessing whether it can be fully absorbed within our REMI programme, given that some other projects will not now progress as originally planned.
- 5.4 Spend on the REMI capital programme to the end of May 2020 was £4.8m compared with a budget of £5.3m; £0.5m less than budget (9%). In this, PHE project spend was £4.0m compared against a budget of £4.5m. PBL spent £0.8m against a year to date budget of £0.8m.
- 5.5 The Science Hub spend forecast is based on the latest business case to the DHSC.
- 5.6 The 2020/21 vaccines and counter-measures budget allocation from DHSC is £175.8m, if this should change further the budget will be flexed and PHE will receive an allocation from DHSC that meets the actual expenditure.
- 5.7 PHE previously received an allocation for screening capital projects, under section 7a of the NHS mandate. With the impending changes in responsibility arising from the Richards' Review, we expect future screening system developments to be funded and implemented by NHSX or NHSE. Hence there is no capital budget for PHE this year.
- 5.8 The 2020/21 Fluoridation programme forecast currently stands at £0.8m against an allocated budget of £3.0m, which reflects plans slowed by Covid-19 delays. The reduction in the fluoridation forecast directly increases the budget available to our REMI capital programme.
- 5.9 We are confident that the capital programme can be delivered in the year and be in line with budget. This position will be monitored and reassessed each month as the year progresses.

**6. COVID-19**

- 6.1 As mentioned previously there has been an impact in the first two months of the year on PHE's costs and activities arising from the Covid-19 emergency response.
- 6.2 However, we continue to believe that the Covid-19 response will not wholly detract from other PHE activities and deliverables across the full year. We will reassess this assumption as the year progresses.
- 6.3 PHE expects that incremental costs incurred on the Covid-19 response will be reimbursed by the DHSC. The DHSC has confirmed that costs would be covered to the extent that PHE would not be able to accommodate them. As we are currently forecasting a break-even position, we expect all incremental costs will need to be reimbursed.

**7. CONCLUSION**

- 7.1 Financial plans have been drawn up that allow us to both meet our financial objectives and deliver our business plan priorities and we expect to meet these despite the Covid-19 impact.
- 7.2 These financial plans are monitored to maintain the overall balance across the organisation, with corrective action being taken as appropriate:
  - (a) Plans are in place to support the delivery of realistic contributions from our income generating activities;
  - (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 procurement pipelines and mitigating action is sought if necessary.
- 7.3 The year-to-date financial performance is showing a deficit against budget but we believe our plans are robust and therefore we continue to forecast a break-even position for the year.
- 7.1 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**

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July 2020