



CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

Paper for the Board Meeting 16 April 2010

Update Budget Strategy 2010/11

1. AIM AND PURPOSE

- 1.1 To provide an update to the Board on the budget strategy for 2010/11.

2. RECOMMENDATIONS/ACTION FOR THE BOARD

- 2.1 To approve the updated Budget Strategy for 2010/11.

3. SHORT SUMMARY

- 3.1 At its meeting on 5th February 2010, the Board received a paper recommending a budget strategy for 2010/11. At this point there were two matters on which final confirmation was pending. The first related to the treatment by the Department for Children, Schools and Families (DCSF) of the projected overspend forecast for 2009/10. This has now been confirmed as being funded by the DCSF and additional grant funding has been awarded in 2009/10 to cover this. The second matter related to the decision of the DCSF on the Business Case presented by Cafcass for a programme of change to deliver sustainable improvements in the productivity and performance of the organisation. Approval of the business case has now been confirmed and grant funding for 2010/11 increased by £10m to reflect this.

4. BACKGROUND

- 4.1 In a departure from prior years, the basis of allocating the budget to service areas for 2010/11 had changed from being workload driven to one based on the levels of referrals in to service areas. Budget holders have completed an analysis of their expected commitment levels for 2010/11 for comparison to their provisional budget allocation, and where agreed with the respective Operational Director, variations in funding have been agreed to ensure a safe minimum level of funding is set for each area. It is taken as an underlying assumption that the priority is to continue to direct resources to the frontline and therefore maximise funds to the operational areas.

- 4.4 The overall level of commitments in 2010/11 and the main changes to them are set out below. The spending requirement of £138.194m compares to a grant allocation of £138.2m.

	£m
Budget 2009/10	125,094
Forecast overspend in 2009/10	2,300
Pay review, award and pension increase	3,500
Savings from Corporate Restructure Transformation Programme	(2,700) 10,000
Revised spending requirement 2010/11	138,194

- 4.6 The proposed allocation of funds between Operational Areas, National Office and an undistributed Contingency is set out below:

	£m
Operational Area funding	104,196
National Office	21,826
Contingency	2,178
Transformation Programme	10,000
Budget 2010/11	138,200

- 4.7 While the Transformation Programme funding has been allocated as part of Grant In Aid, it will be subject to a separate detailed budget and cash flow forecast with monitoring arrangements in place to ensure close scrutiny of the use of funds for reporting to the Board and DCSF as required. The intended use of these funds has been set out in the Business Case referred to above. The funds are being targeted to areas where demonstrable and sustainable change can be achieved in order to best position the organisation in terms of its resilience and value for money in light of its ongoing demand levels and prospects for future funding settlements. All expenditure will be scrutinised to ensure it is being incurred for these purposes and in particular is not generating new and/or additional ongoing spending commitments.

5 KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

- 5.1 The maximum amount of funding possible has been allocated to Operational Areas with National Office funding held substantially at its 2010/11.
- 5.2 The approach outlined above for setting the organisation's budget seeks to ensure each area is resourced for the commitments that it carries in to the new financial year. At this stage however, these calculations do not challenge the underlying cost effectiveness of each area, but rather create stability of funding in the short term. Making much more explicit use of relative cost effectiveness between areas (for example through the setting of target unit costs for areas and using the Business Planning process to set out the specific actions to be taken to close the gap between actual and target unit costs) continues to be a feature of refreshing the organisation's approach to Value for Money.
- 5.3 This report also recommends the retention of a Contingency Reserve in the new financial year in the order of £2.2m.

6 BENEFITS FOR CHILDREN

- 6.1 The delivery of safe, high quality and timely services have been identified as two of the organisation's Operating Priorities in 2009/11. In order to achieve this, a budget plan is needed that is sufficient in size and appropriately allocated across functions and geographic areas to ensure resources are available to support service delivery. This paper reinforces the need for continuing management and scrutiny of the organisation's three year spending plan and performance against it. The reprofiled funding settlement assisted in realigning commitments with grant allocations but bringing these back in line continues to be very challenging and not without significant risks to service delivery in the current and potentially next financial year.

7 FINANCIAL ANALYSIS

- 7.1 This papers sets out the strategy for budget setting for the new financial year. Analyses of funds available, anticipated commitment levels and the proposed distribution of resources across major areas of spending have all been set out within the paper.

8 RISK ANALYSIS

- 8.1 In setting out the budget proposed here, an assessment has been carried out of the material areas of additional spending, and expenditure reductions, that may impact on the organisation during the course of the new financial year. This process will not have taken account of every instance of changes in the levels of expenditure and income but will have addressed the main items likely to have an impact.
- 8.2 The budget remains vulnerable in relation to three main risks. Firstly, that there is a material change in any of the assumptions regarding the nature and volume of work undertaken. Service areas have seen a growth in both public (30%) and private (15%) law work. This rise in activity comes at a point where the family justice system is already working at full capacity, thereby restricting the flow of cases through the system, increasing the number of active cases held by all agencies involved. We will continue to examine trends in referrals on a monthly basis to assess whether there are changes in levels unsustainable by the budget as currently set out.
- 8.3 Secondly, that assumptions made in relation to the cost of activities prove unachievable, in particular the assumptions on workforce spending, and the impact of the SPR on costs in its second year of implementation. We will continue to analyse performance of spend against budget both by type of expenditure and service area to identify any trends in this respect.
- 8.4 Finally, that a cost arises that has not been considered during this process that is either extraordinary in nature and/or exceptional in size. Again, while our regular budget monitoring processes would reveal such an expenditure the fact such a liability had arisen would also have been drawn to the attention of the Corporate Management Team for approval within the current scheme of delegation.

- 8.5 Managing any negative consequence of any of the above items occurring will as far as possible take place within respective local budgets, by considering opportunities to reduce and/or delay expenditure in areas not critical to service performance and delivery. The Star Chamber process used during the previous financial year to scrutinise the financial position of areas under greatest pressure will continue in the new financial year. This will commence with just two service areas under review (N3 and C5) together with the national IT budgets.
- 8.6 Where this is not feasible, the Corporate Management Team will consider the same approach across national and functional budget areas. Use of the contingency budget will form part of this assessment. The Expenditure Control Group will also continue to meet during the year to review financial performance and particular initiatives to improve cost effectiveness.
- 8.7 Finally, if it becomes clear the pressures can not be contained within the budget, the Accounting Officer will consider a recommendation to make an application for the use of Year End Flexibilities. Particular caution is noted with this approach however given the uncertainty about the next Comprehensive Spending Review in the current climate for public sector expenditure.
- 8.8 In finalising the individual local budgets within the allocated control totals, Operational Areas and National Office budget holders will carry out a risk assessment of their own budget and commitments. This assessment will be reviewed as part of the routine budget monitoring process with any increases in risks identified escalated to the Director of Finance and respective Corporate Management Team member.

9. DIVERSITY ANALYSIS

- 9.1 Ensuring Equality and Diversity is central to all our work and an operational priority for 2009/11. In much the same way as ensuring the objectives of benefits for children are met through financial planning and management, so the active management of spending against a properly constructed budget will help ensure an equitable distribution of resources to enable equality of access to services.

Julie Brown
6 April 2010