



CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

PAPER FOR THE BOARD MEETING ON 5 FEBRUARY 2010

FINANCE REPORT DECEMBER 2009 FINANCIAL RESULTS AND QUARTER THREE FORECASTS

1. AIM AND PURPOSE

- 1.1 To provide the Board with an update on the financial position of Cafcass for the nine months ended 31 December 2009.
- 1.2 To provide the Board with an update on the forecast financial position for the current financial year.

2. RECOMMENDATIONS/ACTION FOR THE BOARD

- 1.3 To note the latest financial position.
- 1.4 To note the updated information on the full year financial forecast.

3. SHORT SUMMARY

- 3.1 The organisation's budget holders have delivered their third financial forecast for 2009/10. These forecasts demonstrate the implementation and impact of measures put in place by the Chief Executive intended to balance the Cafcass budget for the current financial year. The results continue to show the effect of containment action put in place earlier in the financial year, in response to early forecasts of an overspend, confirming an overall forecast of £2.2m, consistent with the previous forecast position. In reviewing the level of forecast expenditure on Flexible Workforce, being the area of spending most problematic to forecast given its variable nature, for the last three months of this financial year there is an assumed reduction in the average level of spending from the previous three months in the order of £0.600m. This will prove challenging to deliver.
- 3.2 The December Management Accounts show an overspend on the year to date position of £2.2m. This has remained consistent with the level reported for the previous two months. This comprises an overspend across operational areas of £2.6m and an underspend on National Office and central budgets of £0.4m. The balance sheet remains consistent with previous months.
- 3.3 While the current cash flow forecast indicates a deficit at year end this is considered manageable and is a significant improvement on earlier forecasts, prior to the reprofiling of grant funding, in particular relating to the overspend in 2008/09.

4. BACKGROUND

- 4.1 The December 2009 management accounts showed expenditure within all the operational areas fall below budgeted level for the month. The overall position for Operational Areas therefore fell to £2.6m overspend at the end of nine months (compared to £3.2m at the end of November 2009).
- 4.4 The overall position across National Office budgets is an underspend of £1.564m. Included within this however is an underspend relating to contact services funding, against which commitments have not yet been made. Also the forecast position on ICT (excluding any reduction in future payments currently under review) would add a further £0.900m to the expenditure to date figures. These adjustments would give rise to a revised National Office year to date position in the order of £0.359m underspend.
- 4.5 A summary of the year to date position is given as follows:

	£m
Budget profiled April – December 2009	97.588
Actual Expenditure to date April – December 2009	(98.610)
Expenditure not yet charged to accounts (para 4.4)	(1.205)
Overspend at 31 December 2009	(2.227)

- 4.6 Across Operational Areas an increase in overspend of £0.786m to the December year to date position is forecast to the end of the year. While the overspend in the South area is projected to fall by £0.070m, increases are forecast in Central of £0.131m and a reduced overspend in North of £0.725m. These changes reflect a higher allocation of budget to the first nine months than the latter three. Operational Area overall are therefore projecting an outturn overspend of £3.375m.
- 4.7 The overall position across National Office budgets is an underspend of £1.2m. This reflects the introduction of additional grant funding (£1.5m) as a result of the reprofiling of the three year funding through agreement with the DCSF and the impact of the freeze on estates spending to support the budget (£0.800m). This offsets the delayed milestone payment under the Flex contract and the cost of a number of improvement activities set in the budget at the start of the financial year including the shift in SMs to 1:10.
- 4.8 Further, the budget includes but has not yet allocated the balance of additional funding granted to Cafcass by the DCSF in respect of the substantial growth in backlogs particularly during the latter part of the last calendar year. It is proposed to allocate the final balance of this funding to offset the expenditure incurred by the local area to reduce and manage the level of backlogs. On release for this purpose a reduction in the projected overspend within the South Operational Area is expected.
- 4.9 However, the forecast currently excludes a sum of £0.370m in severance payments to support voluntary agreements to facilitate the review of Business Support, in order to produce efficiency savings in the new financial year. Discussions have been ongoing with the sponsor to secure additional funding to cover both these severance costs and provide additional funding to support an extension of the severance scheme to maximise expenditure reductions next year.
- 4.10 The impact of the reallocation of the additional funding for backlogs and the inclusion of the severance costs for the Business Support staff group approved so far would reduce the current projected overspend to £2.060m. Additional funding from the Department to cover the costs of Business Support severance agreed so far would further reduce the overspend to £1.7m.

4.11 Finally, discussions are in hand with the organisation's ICT supplier regarding financial recompense for the delays and unsatisfactory service performance under the contract. The above projections assume settlement of costs as the contract stands without the retention of any funds in this regard. A successful claim would further mitigate the current financial position but accounting for such a contingent gain would need to be in accordance with current prudent accounting conventions.

4.12 Of the balance of current year budget available to spend therefore, the following costs are forecast:

	£m
Balance of budget available	32.966
Operational Area forecast spend	(25.097)
National Office forecast spend	(7.832)
Net movement for three months	0.037
Cumulative Overspend at December 2009	(2.227)
Forecast overspend for the year	(2.190)
Release of additional funding for London	0.500
Additional Business Support Severance costs	(0.370)
Revised forecast overspend for the year	(2.060)

5 KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

5.1 The rate of growth in expenditure has been impacted by the implementation of containment action taken across the organisation in response to early forecast overspending. Forecast expenditure for the year is now updated on a monthly basis.

5.2 These latest management accounts show a positive impact on ongoing and future commitment levels but the financial position of the organisation remains vulnerable to significant increases in demand for services, reinforcing the need to maintain close scrutiny of results and the containment actions already in hand for the remainder of the financial year.

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 Appendices 1-6 set out the detailed analyses of the December 2009 accounts and Quarter 3 forecasts.

8 RISK ANALYSIS

8.1 The underlying position across the National Office position is less volatile than that in the Operational Areas with fewer variable costs and the absence of demand driven spending. There are greater risks in the forecast position for Operational Areas. There have been improvements to the systems used to capture commitments locally, particularly those

relating to the use of flexible workforce. The greater risk lies in the ability to deliver the spending reductions from current commitment levels over the remaining three months of the financial year. While the direction of travel is towards lowering commitment levels nonetheless there are concerns regarding the delivery of the forecast. In reviewing the level of forecast expenditure on Flexible Workforce, being the area of spending most problematic to forecast given its variable nature, for the last three months of this financial year there is an assumed reduction in the average level of spending from the previous three months in the order of £0.600m. This will prove challenging to deliver.

9. DIVERSITY ANALYSIS

- 9.1 Ensuring Equality and Diversity are central to all our work is also 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.

Anthony Douglas CBE, Chief Executive
Julie Brown, Director of Finance
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