



## CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

### PAPER FOR THE BOARD MEETING 5 MARCH 2010

### BUDGET STRATEGY 2010/11

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#### 1. AIM AND PURPOSE

- 1.1 To propose to the Board a budget strategy for 2010/11.

#### 2. RECOMMENDATIONS/ACTION FOR THE BOARD

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

#### 3. SHORT SUMMARY

- 3.1 The overall approach to this work has been to establish a baseline budget through application of information on referral levels to local service areas during the previous twelve months. An analysis of the level of expenditure commitments in the current year and those the organisation must meet in the future financial years has also been carried out. These have been reviewed against the allocated budget with further adjustments made to ensure a safe minimum level of funding is given to each service area. A modest contingency sum has been set aside to provide resilience against unexpected growth in spending pressures. The overall budget has been set at the level of grant funding previously agreed with the Department for Children, Schools and Families.

#### 4. BACKGROUND

- 4.1 In a departure from prior years, the basis of allocating the budget to service areas for 2010/11 has changed from being workload driven to one based on the levels of referrals in to service areas. In making such a change however it is important to ensure this does not give rise to substantial variations in budget allocations, particularly where this may lead to an overspending as areas struggle to reduce commitments to a reduced expenditure budget. A process of dampening has therefore been used to avoid significant fluctuations in funding from the current year to next.
- 4.2 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.
- 4.3 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. Therefore, the budget-setting process has not encouraged bids for additional funding beyond core activities. Working practices continue to evolve in light of revised operating priorities set during the

current financial year. These priorities acknowledge there is an underlying resource gap given recent sustained growth in both case complexity and numbers. It is acknowledged the new financial year will continue to present a significant challenge to ensure service delivery and performance can be delivered and spending held within budget.

- 4.4 The overall level of commitments in 2010/11 and the main changes to them are set out below. The spending requirement of £127,894m compares to a grant allocation of £128,222m.

	<b>£m</b>
Budget 2009/10	125,094
Forecast overspend in 2009/10	2,000
Pay review, award and pension increase	3,500
Savings from Corporate Restructure	(2,700)
<b>Revised spending requirement 2010/11</b>	<b>127,894</b>

- 4.5 Within the National Office budget area it is generally assumed budgets will carry forward at their current funding levels with changes limited to pay award funding and the impact of the Corporate Restructure. Exceptionally, the budget for ICT has been restated at the level anticipated for a steady state service. The Estates budget programme has also been reset to a modest £0.5m following a suspension of all be essential maintenance work in the current year as part of budget containment measures. The national training budget has been reinstated to £1m, subject to further detailed discussions on training priorities for the coming year.

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

	<b>£m</b>
Operational Area funding	104,196m
National Office	21,826
Contingency	2,200
<b>Budget 2010/11</b>	<b>128,222</b>

## **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 spending level with exceptions noted in 4.5 above.
- 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 establishment of a Contingency Reserve in the new financial year in the order of £2.2m. It would be a prudent measure to establish such a fund until at least the outturn position for the current financial year has been established.

## **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 re-profiled 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 the 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. While private law referrals have continued to decline overall, individual service areas have seen a growth in public 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.
- 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.

- 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.
- 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 are central to all our work is 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**  
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**January 2010**