



## CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

Paper for the Board Meeting 3 September 2010

### FINANCE REPORT JUNE 2010 FINANCIAL RESULTS AND QUARTER ONE FORECASTS

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#### 1. AIM AND PURPOSE

- 1.1 To provide the Board with an update on the financial position of Cafcass for the three months ended 20 June 2010.
- 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

- 2.1 To note the latest financial position.
- 2.2 To note the updated information on the full year financial forecast.

#### 3. SHORT SUMMARY

- 3.1 The organisation's budget holders have delivered their first financial forecast for 2010/11. 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 show the effect of the proactive management of budgets by individual budget holders, set at a safe minimum level of funding for each area, agreed at the start of the financial year.
- 3.2 At the end of June 2010, Cafcass is reporting spend to date of £31.789m against a budget of £32.616m, an underspend of £0.827m. Operational Areas are underspending by £0.457m, National Office £0.600m. The Transformation Programme is reporting an overspend of £0.230m, although this is primarily due to expenditure falling ahead of profiled budgets for those areas.
- 3.3 The forecast position for the full financial year is a balanced budget. The attached financial tables indicate a forecast net expenditure of £138.497m against a budget of £140.600m leaving a balance of £2.103m uncommitted, which is in effect the Corporate Contingency Budget.
- 3.4 The Statement of Financial Position (previously the Balance Sheet) shows an overall indebtedness of £206m, being mainly the Pension Liability of £202.9m

together with the difference between accruals for expenses not yet invoiced by suppliers in excess of assets and other amounts recoverable. This position is consistent with the end of the previous financial year.

- 3.5 The latest cash flow forecast indicates a surplus at year end, which is considered manageable within the limits applied in the Financial Memorandum (cash balance to not exceed 2% of Grant In Aid).

#### 4. BACKGROUND

- 4.1 The June 2010 management accounts showed expenditure within all the operational areas to be below the budgeted level for the month. The overall position for Operational Areas was an underspend of £0.457m at the end of three months (compared to £0.301m underspent at the end of May 2010).

- 4.2 The overall position across National Office budgets is an underspend of £0.600m. This does however include a large underspend in particular on the ICT budget, arising from the difference in the phasing of the budget compared to the actual occurrence of the related expenditure.

- 4.3 The Transformation Programme Budget is showing an overspend against the profiled budget after three months of £0.230m. Again, this reflects the timing difference between the budget profile and the release of expenditure.

- 4.4 A summary of the year to date position is given as follows:

	£m
Budget profiled April – June 2010	32.616
Actual Expenditure to date April – June 2010	(31.789)
<b>Underspend at 30 June 2010</b>	<b>(0.827)</b>

- 4.5 Across Operational Areas a decrease of £0.281m to the June 2010 year to date underspend position is forecast to the end of the year. The underspends in the North and South areas are projected to fall by £0.022m and £0.371m respectively, with an increase in the forecast underspend in Central of £0.111m (from a June overspend of £0.070m). These changes in part reflect a higher allocation of budget to the first part of the financial year. Operational Areas overall are therefore projecting an outturn underspend of £0.176m.

- 4.6 The overall position across National Office budgets is a reducing underspend from £0.600m at the end of June to £0.468m by year end. In particular the ICT budget is forecast to underspend by £0.155m, against a year to date underspend of £0.408m. The Legal Team budget reflects in its forecast the impact of current and ongoing external counsel advice showing an overspend of £0.397m by year end. In contrast the Estates budget shows the forecast underspend expected (£0.500m) by holding back all but unavoidable work, focusing instead on delivery of the Estates Strategy within the Transformation Programme. The Transformation Programme itself is forecasting a projected overspend on the Estates Workstream of £0.575m, and £0.427m overspend overall. The Transformation Programme is also supported by setting aside Corporate Contingency funding of £1.5m, being £1.1m risk of benefits realisation not being delivered and £0.400m against the overprogramming

on the Cash for Change element of Frontline First. £0.6m benefits are currently being forecast reducing the element of contingency supporting the programme at this stage to £0.9m.

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

	£m
Balance of budget available	107.984
Operational Area forecast spend	(80.618)
National Office forecast spend	(18.417)
Transformation Programme forecast spend	(8.365)
Transformation Benefits re-assessed as realisable	0.690
Net movement for nine months	0.584
Cumulative Underspend at June 2010	0.828
<b>Forecast underspend for the year</b>	<b>2.102</b>
Retain within Corporate Contingency	(2.102)
<b>Revised forecast under/(over)spend for the year</b>	<b>nil</b>

## 5 KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

- 5.1 These results show the effect of the proactive management of budgets by individual budget holders, set at a safe minimum level of funding for each area, agreed at the start of the financial year. 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 corporate and local strategies already in hand for the remainder of the financial year. Given this is the first forecast of the financial year, it would be prudent to wait until the forecast position has been updated at the six month stage before determining how best to make further use of the contingency funds currently unallocated.

## 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.

## 7 FINANCIAL ANALYSIS

- 7.1 The attached Appendices set out the detailed analyses of the June 2010 accounts and Quarter 1 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. The direction of travel is towards lowering commitment levels in particular to position the organisation in as strong a starting point as possible to manage the impact of any funding reductions in future financial years.

## **9. DIVERSITY ANALYSIS**

- 9.1 Ensuring Equality and Diversity are central to all our work is also an operational priority for 2009/11. 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**  
**18 August 2010**

**Julie Brown**  
**Director of Finance**