



CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE
Paper for the Board Meeting on Thursday 9th June 2016
FINANCE REPORT

KEY POINTS

- Our management of the Cafcass budget remains a key organisational capability.
- This capability puts us in a strong position to continue to effectively manage both within the financial year and future year's planning, having a good grip on forecasting and the analysis of risks and opportunities.
- However, the environment for the foreseeable future remains very challenging in relation to the continuing rise in demand, technical cost pressures, and the complexity of achieving the family justice system reforms needed to mitigate these risks.

1 AIM AND PURPOSE

- 1.1 To confirm the financial results for 2015-16 and give initial guidance on the financial position for the current year.
- 1.2 To provide an outline of the process for the preparation of the medium term financial strategy, covering the remainder of the current spending review period.
- 1.3 To provide an initial analysis of key risks and pressures in the immediate and wider environment likely to apply and what steps are being taken to mitigate these.

2 RECOMMENDATIONS FOR THE BOARD

- 2.1 To note the financial results for the prior and current year.
- 2.2 To note the process for the development of subsequent years' financial plans.
- 2.3 To consider the risks to the financial plans and the adequacy of the mitigating actions at this stage.

3. FULL YEAR RESULTS AND INITIAL GUIDANCE FOR THE CURRENT FINANCIAL YEAR

- 3.1 The accounts for 2015-16 have been completed and audited and appear elsewhere on the agenda for today's meeting. They confirm the position forecast within the year of a managed underspend to support the sponsor's departmental financial strategy. In year forecasts placed the underspend at £2.2m where the final outturn position was an underspend of £2.3m. This reflects the continuing effective efforts of all budget holders to accurately monitor and manage their individual budgets throughout the year.
- 3.2 The management accounts for the end of April 2016 show no areas of concern with spend broadly in line with the profiled budget. This year's budget has had to absorb a number of unfunded pressures in particular the higher national insurance levels from the government's change in contracted out payment rates. This is planned to be achieved through the maintenance of lower spending levels in part through continuation of efforts during the previous financial year. This is challenging in the context of continuing rises in demand. Significant spending pressures also remain within the sponsor's own budget, where a requirement to support measures to alleviate these from all parts of the group are inevitable.

4 MEDIUM TERM FINANCIAL STRATEGY 2017-2021

- 4.1 The sponsor has set out a process and timetable to achieve sign off with the Secretary of State of a Medium Term Financial Plan in September 2016. This builds on the work already conducted for the submissions during 2015 for the Spending Review. Templates have been

completed to separate projections of spending over the review period between business as usual and change programme which will be subject to challenge and scrutiny during July 2016. The outcome of the process should be the agreement of indicative allocations for the remainder of the spending review period which is clearly preferable to the setting of annual budgets only.

5. KEY RISKS AND PRESSURES FOR THE MEDIUM TERM FINANCIAL STRATEGY

5.1 There are a number of risks and uncertainties that will impact our medium term financial strategy, the most significant of which being the continuing rise in demand of both public and private law work. We have been successful in managing this so far but this is not without cost, in particular the pressure this places on staff to maintain their high levels of productivity over a prolonged period of time and without sacrifice to the quality of work. We have made changes to our operating model to be clear about what work we must do on each case to ensure any safeguarding concerns are appropriately addressed and that the child's wishes and feelings can be expressed and communicated to the court. We have also deployed technology to give staff the tools to work efficiently and flexibly. But the gap between the resources we have and can afford compared to the resource the rising level of work indicates is needed will continue to grow. Our spending review submission set out our forecast of demand over the next few years and the estimated rise in staff spending that would be needed to absorb this demand. This is set out below. The assumptions of how many families in private law cases and local authorities in public law cases can be dissuaded from making a court application is a key tenet of the next stage of family justice system reform but remains complex and difficult to achieve requiring a variety of levers and measures.

		2016-17	2017-18	2018-19	2019-20	2020-21
Public Law Demand		17692	18576	19505	20480	21504
Private Law Demand		43084	45238	47500	49875	52369
Total Demand		60776	63814	67005	70355	73873
Increase in FCA FTE			69.35	109.9	152.5	197.2
Increase in workforce cost (m)			£ 3.49	£ 5.53	£ 7.66	£ 9.92

5.2 The 2015 Spending Review announced the creation of a central government estate with a transfer of freehold properties from departments to this unit from April 2017, and a commercial rent then charged back to the individual bodies for their occupation of the property. Cafcass has successfully reduced the size of its office portfolio and continues to search for efficiencies. The substitution of a commercial rent for the relatively low cost of ownership is a financial risk in relation to three freehold properties owned by Cafcass, expected to fall within the new government property arrangements. Where we are also within lease agreements for properties that are currently owned by other government departments, there is also a risk of rising charges where the current terms of occupation may reflect some subsidy for co-location with other departments. We are carrying out an assessment of commercial rents in the locations where we occupy either our own or a government owned premises. We will take such steps as are feasible and affordable to mitigate any material negative effects of this policy change on the cost of our accommodation overall.

5.3 The 2015 Spending Review also announced the introduction of an apprenticeship levy at a rate of 0.5% of the organisation's paybill, intended to be ring fenced for the purchase of electronic vouchers that can then be used to purchase apprenticeship training. The cost of the levy to Cafcass from April 2017 is estimated at £0.3m per annum.

5.4 In addition to maintaining the general reduction in operational area spending in 3.2 above, we are also targeting service areas whose performance within our value for money framework is below the national average, to implement an improvement programme such that the average national level rises. Achieving this is important to achieving the lower spending levels that underpin the budget strategy for this year and the coming years but it

remains a significant challenge in the context of rising demand and a need to ensure quality is maintained and improved.

6. KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

6.1 These are dealt with within the body of the report.

7 BENEFITS FOR CHILDREN

7.1 The delivery of safe, high quality and timely services remains a priority for service delivery. 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.

8 FINANCIAL ANALYSIS

8.1 The financial implications of this paper are contained in the main body of this report.

9 RISK ANALYSIS

9.1 These are dealt with within the main body of this report.

10. DIVERSITY ANALYSIS

10.1 Ensuring Equality and Diversity are central to all our work remains a key operational priority. 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, Chief Executive

Julie Brown, Director of Finance

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