



CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE
Paper for the Board Meeting on 6th February 2015
FINANCE REPORT

KEY POINTS

- These results continue to provide assurance about the strength of the decision making process for allocation of budgets and the skills of budget holders across Cafcass managing within budget supported by finance staff with accurate forecasting and scrutiny.
- Following consultation with the Ministry of Justice on their budget strategy for 2015-2016, an underspend of £0.524m against delegated budget funds (DEL) is now being reported.
- Preparatory work on the 2015-16 budget is well progressed but awaits final confirmation of grant funding from the sponsor to finalise allocations.

1 AIM AND PURPOSE

- 1.1 To report the financial results for the nine months ended 31 December 2014 and the forecast results for the year ended 31 March 2015.

2 RECOMMENDATIONS FOR THE BOARD

- 2.1 To note the financial results for the nine months ended 31 December 2014 and the forecast results for the year ended 31 March 2015.

3 BACKGROUND

- 3.1 Budget holders have now completed their management accounts for the nine months ended 31 December 2014 together with their forecast results for the full twelve months. These indicate expenditure currently running slightly below budget, with a year to date underspend of £1.199m, which has gradually reduced, as anticipated, from the level previously reported. Following consultation with the Ministry of Justice on their budget strategy for 2015-2016, an underspend of £0.524m against delegated budget funds (DEL) is now being reported, alongside an estimated release of £0.650m of Annually Managed Spend (AME). Further information regarding this is given below.

4. DECEMBER 2014 ACCOUNTS AND FULL YEAR FORECAST

- 4.1 These accounts are reviewing the financial position at the end of nine months and the forecast position for the end of the current financial year. Summaries of income and expenditure for the nine months to December 2014 by budget holder are included in the appendices. The overall position from budget holder returns is an underspend of £1.199m. Of this, operational Service Areas have returned an underspend at the end of December of £0.989m. The balance of £0.210m relates in part to changes in the calculation of amounts set aside for future dilapidation costs, in line with the recommendations arising from the audit of the financial statements for the previous financial years.
- 4.2 Overall forecast expenditure had been expected to be in line with budget. The operational area is currently forecasting an underspend of £1.443m, mainly attributable to staff costs where recruitment hasn't progressed as planned at the budget stage and/or the use of temporary staff has been lower than anticipated. Within the HQ budget area the approved additional spending on the IT budget is being offset by transfers of budget from the NBC for a contribution to costs arising from the Digitisation Service and from the Provisions budget in relation to charges created to reflect the loss of volume credits under the Flex contract as existing other customers exit the service. The pressure on the Commissioning and Partnerships budget reflects an element of budget withheld at the beginning of the budget year as part of the overall budget strategy, pending a review of the service's running costs.

- 4.3 The budget setting process for 2014-15 resulted in an initially retained corporate contingency of £1m. This contingency has been substantially allocated to fund the 1% consolidated pay award for the current financial year having successfully completed negotiations with the trade union and secured appropriate sponsor and HM Treasury approval for the award.
- 4.4 During December 2014, the MOJ undertook a series of challenge reviews of its own and its sponsored bodies' financial returns, as at the end of September 2014. The purpose of these reviews was to identify areas where actual spending appeared below the rate indicated by the forecast outturn and also where significant spend was forecast in the latter part of the year. The processing of the pay award, in 4.3 above, in January 2015 together with the commissioning of a number of scheduled and budgeted updates to the Electronic Case Management System (ECMS) after September 2014 meant such challenges regarding Cafcass spending rates and patterns were properly and appropriately addressed. Nonetheless, the Corporate Management Team were able to identify a number of items where forecast spending plans could be amended without detriment to service delivery (£0.335m). In combination with an amount of DEL erroneously allocated against Cafcass (£0.189m) by the department, a managed underspend for the current financial year of £0.524m has been agreed with MOJ, which supports their budget strategy. In addition a sum of potentially up to £0.650m of AME is anticipated to be released where provisions against future liabilities in relation to property, employment and legal matters have been resolved. This also exceeds the level budgeted at the beginning of the financial year.
- 4.5 After accounting for the above items, a balance in the order of £0.2m of contingency remains available to shield the organisation from any financial pressures arising from changes in the level or complexity of workload during the last few months of the financial year.

5 BUDGET STRATEGY 2015-2016

- 5.1 Preparatory work on the budget for 2015-16 is well underway, working on an assumption of funding consistent with the second of the two year settlement amounts agreed as part of the sponsorship transfer. There is a risk final confirmation may come with a different settlement, although so far that has not been indicated. The budget work however cannot properly conclude until final grant funding is confirmed. Our assumption about our 2015/16 grant is £118.8m, being the original grant budget agreed prior to the transfer of sponsorship.
- 5.2 Separately, discussions are currently underway with the department to bring Cafcass within the scope of its own VAT regulations which would enable a limited amount of VAT to be reclaimed on expenditure on shared ICT services. There would be no impact on Cafcass spending capacity, but if the VAT on this spend could be reclaimed by Cafcass, there would be a reduction in grant funding equal to the estimated amount of VAT that could be reclaimed.
- 5.3 The department has given no indication that a further cash reduction should be provided for in 2015/16. Discussions are underway however to explore the ability of Cafcass to absorb the resource implications of taking on additional responsibilities in 2015/16 which are discussed further elsewhere on the agenda. Nonetheless, Cafcass continues to make savings to its cost base with approximately £3m of additional costs absorbed and other spending reductions built in to the balancing of the draft budget for next year.
- 5.4 The work to date however indicates the reduction in funding in real terms can be accommodated but not without placing the Operational Area budget under a greater level of pressure than in the current financial year. Although funds allocated are at the same level as last year, the cost of goods and services together with the application of the consolidated pay award from the current financial year mean spending power has reduced. National and corporate budgets continue to be topsliced from overall grant funding at the lowest level possible so as to maximise the funds available to the frontline. Current plans incorporate a very modest contingency of £0.6m. Pressures in any area of the budget will have to be quickly and carefully managed so as to protect the contingency from any premature drawdown that may see any later emerging financial pressures without cover, other than to curtail spending in any other relatively lower priority areas.
- 5.6 When final confirmation of funding is received a financial statement can be circulated showing the allocation of the budget across budget holders.

6 KEY STRATEGIC ISSUES FOR THE BOARD TO CONSIDER

6.1 The 2014-15 results now cover nine months of the financial year. There are a number of spending pressures being managed without compromise to the overall balanced position being forecast as well as delivering on an underspend to support the overall budget strategy of the MOJ and its sponsored bodies for 2014-16. At this stage, the items referred to in paragraph 4 are sufficiently challenging that no further decisions on the use of any remaining unallocated contingency funds need be made at this stage.

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.

7 FINANCIAL ANALYSIS

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

9 RISK ANALYSIS

9.1 Risks to managing within allocated resources are kept under careful and constant review through the monitoring and reporting of regular financial information by budget holders and regular dialogue with the sponsor department in relation to sharing information on the implications of government guidance. The retention of a corporate contingency also provides some resilience against financial pressures that cannot be mitigated in other ways.

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
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23 January 2015